

EXHIBIT JPX 22

## MEMORANDUM

**To:** Interested Parties

**From:** Darren Glatt  
Josh Schwartz  
Eric Zinterhofer

**Date:** December 3, 2007

**Re:** **Charter Communications, Inc.**  
Take-Private Transaction and/or Purchase of Senior Discount Notes  
(a) \$815 million 11.75% Notes due May 2014 (CP-67.0, CY-17.5%, YTM-22.6%)  
(b) \$581 million 13.50% Notes due Jan 2014 (CP-74.0, CY-18.2%, YTM-22.4%)  
(c) \$471million 9.92% Notes due April 2014 (CP-63.0, CY-15.7%, YTM-21.7%)

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### I. Situation Overview

We are evaluating investing in certain debt securities and/or leading a take-private of Charter Communications Inc. ("Charter" or the "Company"), the fourth largest multiple system operator ("MSO") in the US. Charter is a publicly traded cable company controlled by Paul Allen ("Paul"), the co-founder of Microsoft. Paul's investment in Charter and as his other interests are managed through Vulcan Capital ("Vulcan"), his exclusive investment vehicle.

We have met with representatives of Vulcan on an exploratory basis, but have not met or spoken with Paul. To date, we have not received any confidential or non-public materials from Vulcan and we have been extremely mindful in our conversations not to discuss anything outside the public purview. We have not signed a confidentiality agreement with Vulcan or the Company. We believe that Vulcan, as Paul's investment advisor, may introduce the concept of a take private transaction, to Charter's board, but we do not know whether the board will support this concept. If the board is supportive of exploring this alternative, we believe that we will be asked to sign a confidentiality agreement. We believe it is likely that if a decision is made to explore a transaction the board will put in place the normal procedures to conduct a process.

The purpose of this memo is to solicit the group's view on two distinct approaches to the Charter opportunity. The first is pursuing a take private transaction. If we pursue this course, we will become restricted in the Company and our near-term opportunity in the bonds will have to wait, though we could still purchase bonds in the appropriate windows should we consummate a transaction, in order to capture discounts and protect any downside on the equity. The second option is to focus on the bonds in the nearer term, in which case we would refuse to sign a confidentiality agreement and inform Vulcan that we do not intend to participate in any process. While the team's ability to gain comfort with an equity investment in Charter would be subject to inside due diligence, our ability to get comfortable with an investment into the bonds has been largely satisfied based on our work with publicly available information.

Headquartered in St. Louis, Missouri, Charter serves a diverse set of markets ranging from densely populated urban areas, including Los Angeles, Dallas, Atlanta and St. Louis to smaller communities, such as Madison, Wisconsin and Greenville, North Carolina. Through an upgraded, hybrid fiber and coaxial cable network, Charter offers its customers a diversified suite of services including analog and digital video, high-speed data, telephony and advanced video

services, such as High Definition Television ("HDTV"), Digital Video Recording ("DVR") and Video On Demand ("VOD"). As of September 30, 2007, Charter served 5.35 million basic video subscribers. Its network passed 11.8 million homes across the U.S. and maintained 11.7 million revenue generating units ("RGUs") with an average of 2.2 products per subscriber. Over 93% of the Company's homes passed have bandwidth capacity of 550 MHz or greater (88% at 750 MHz or greater). For its fiscal year ending December 31, 2007, the Company expects to generate \$6.0 billion of revenue and \$2.2 billion of EBITDA (~36% margin).

As the corporate organizational structure chart in **Appendix I** demonstrates, Paul and his related entities maintain a 49.5% economic interest and 91% voting interest in Charter through a number of classes of stock. Paul's basis in the stock of Charter, which is by far his largest personal investment at ~\$7.5 billion, is \$19.00 per share. The stock has traded down from \$19.00 at the time of its IPO in 1999 to its current level of \$1.29 per share. The decline has been driven by a confluence of factors, including (i) a highly complicated capital structure, (ii) legitimate liquidity concerns, (iii) customer service quality issues, (iv) constant management turnover and (v) delayed rollout of enhanced digital services, including digital video, telephony and data.

Paul, dissatisfied with the state of his portfolio, replaced most of the investment team at Vulcan who were responsible for the poor investments, which led to a renewed focus on Charter. The new team at Vulcan, which has been in place for approximately 3.5 years, was mandated to turnaround the portfolio. Each investment in the portfolio was marked at fair value when the team arrived, and the investment professionals' compensation/upside was tied to increases in value above these levels. As such, Vulcan is highly motivated to maximize value for Paul. Lance Conn, who heads Vulcan, brought in his former colleague at AOL, Neil Smit, to run Charter. Neil, a Navy Seal and former President of AOL's Access business, has begun to address Charter's issues and position the Company for growth in its under-penetrated markets.

## **II. Investment Rationale for the Bonds and the Equity**

We first started looking at Charter in September, when the stock dropped below \$3.00, off its 52-week high of \$4.80. The team was attracted to the concept of accumulating a large position in the 4<sup>th</sup> largest U.S. cable operator, without triggering a change of control on a leveraged capital structure. At the time of our first meeting with Vulcan on October 16th, Charter traded at \$2.70. The bonds at Charter were at healthy levels, with the senior securities at or above par. The more junior bonds, which we recommend below, traded at 95.

Since then, the cable industry has been hammered by the public markets after reporting their third quarter results, which from an EBITDA growth perspective, were still reasonably strong. However, analysts focused on higher than expected basic subscriber losses as evidence of their concerns over increased video competition from DBS (DirecTV and EchoStar) and Telco (AT&T and Verizon) operators. Since then, Charter has traded down over 100%, to \$1.29 and the bonds which were at 95 are now at 68-74. While the movement in the equity only increased our interest, the movement in the bonds creates an opportunity where none had previously existed.

**The Debt Thesis** - The debt thesis, which we discuss in more detail later in the memo in **Section VI**, is as follows:

- We would be buying primarily three issues which total \$1.8 billion at face and \$1.3 billion at market. There are some other smaller pari passu bonds totaling \$700 million of face as well. A third of this bond class at market would represent about a \$575 million investment.

- The notes we are interested in produce a ~22% YTM and a ~25% yield to five year par, with multiples on investment in the 2-2.5x range depending on duration;
- The more junior securities in the capital structure are smaller issuances with less liquidity;
- The notes finance to 8.2x FY '07 EBITDA and 7.5x FY '08 EBITDA, and despite current trading multiples for Comcast and Time Warner (discussed later), we believe Charter to be worth 8-9x EBITDA on a trailing basis;
- The Company has adequate liquidity until 2010, at which point it needs to refinance \$2.2 billion of notes. We think this refinancing is likely, at market rates these notes currently finance to 5.5x and will finance to 4.6x in 2010. Therefore, the only concern the market could have is with all the cash pay leverage junior to these bonds, but since Charter will turn free cash flow positive (after interest) in 2010, we think these concerns are less relevant.
- If the refinancing does not occur, our bonds finance to 6.9x at par in 2010, and 6.6x at market. The FCCR through our bonds is 0.9x in 2010. If you exclude our bonds, the FCCR in 2010 would be 1.1x. Therefore, should a restructuring occur, it is highly unlikely that the fulcrum security is senior to our bonds and will likely be junior, if at all.
- Should a restructuring occur, we believe there will be little impact on the business, as we have seen with all of our cable restructurings. This is obviously not true for all industries.
- We believe that our ability to project the future cash flows for cable are relatively good, even though we are limited to public information. That being said, we have run a Downside Case on our projections, which implies a FY '07-'12 EBITDA CAGR of 6.1% versus a 8.7% CAGR under the Apollo Base Case<sup>1</sup>. Even then, the results are positive:
  - FCCR through our bonds is still 0.9x in 2010 and 1.1x excluding our bonds
  - The business becomes FCF positive by 2012
  - Our bonds would finance to 7.3x by 2010 at par and 7.0x at the current market rates for the bonds.

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- Our downside is even further protected by the cash interest payments which will have accounted for about 40-50% of our investment by 2010.

Indeed, the base case for the bond thesis is that a restructuring of Charter is highly unlikely (or else we would not be interested in the equity as well), and that a distressed for control opportunity will not materialize. Rather, we would earn an attractive return on capital as the bonds trade back to par over time.

The Equity Thesis – The take-private thesis is as follows:

- We would invest ~\$1.0 billion of equity to take Charter private, assuming a price of \$2.50 per share (versus current price of \$1.29), and assuming Paul does not sell his shares. If he did, the equity account would double.

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<sup>1</sup> Downside Case reflects 0.0% growth in homes passed (versus 0.5%), 60% digital penetration by FY '12 (versus 62%), 35% data penetration by FY '12 (versus 38%), and 20% telephony penetration by FY '12 (versus 25%).

- Paul would remain the control shareholder in order to avoid triggering a change of control in the bonds, though we would expect a full set of negative controls and a fair amount of governance.
- Five years returns would be 22.5% to 28.1%, at a 8.0x to 8.5x trailing EBITDA exit, but the multiple on invested capital would be higher than bonds at ~3.0-3.5x (IRR on the bonds is increased relative to MOIC due to current cash yield).
- Unlike the bonds, equity IRR's actually increase over time, as the Company starts to pay down debt. Over even longer periods (i.e. 2015 when the bonds are due), equity returns are still 25%, representing a 5.9x multiple on invested capital vs. 2.5x for the bonds.
- At \$2.50, we would be buying the business at 10.1x '07 EBITDA and 9.1x '08 EBITDA, which is approximately three multiple points higher than the average of the other public cable companies. We have therefore assumed 1.5-2.0 turns of multiple contraction at exit, which does not get all the way to the 7.0x average of the public cable companies, as we believe investors are also penalizing Time Warner and Comcast for their lower growth prospects and lack of leverage. We discuss valuation in detail later in **Section IV** of the memo.
- Since Charter consumes another ~\$900 million of cash (before mandatory debt paydown) before turning cash flow positive, de-leveraging is not a near-term source of value creation. Therefore, equity returns are highly sensitive to growth in cash flows. We have predicted a 5 year EBITDA CAGR of 8.7%. Each 1% change in EBITDA growth represents 600 basis points of IRR. If we were not very comfortable with the stability of the cable business generally, such a sensitivity would be daunting. Also, we believe there is an ability to sell assets at accretive multiples to protect our downside. In addition, as we stated above, we would not be comfortable making this equity investment without full, satisfactory due diligence. We also expect to uncover some positives in our due diligence, which will increase our base case returns and margin for error.

In terms of competition in a going private scenario, based on industry expertise, the size of the transaction and other factors, we believe other players in the process would likely include Providence and a consortium of KKR and Goldman. We believe Comcast and Time Warner, the likely strategic interlopers with significant overlap across a number of Charter systems, are unlikely to participate in a process given (i) their recent purchase of the Adelphia assets, which require a fair degree of upgrade/integration, (ii) the deeply discounted nature of their stocks, which would be used as currency to finance the acquisition, (iii) their focus on discrete components of Charter's systems which are strategic to their own businesses, rather than Charter's network in its entirety. We do believe, however, as we discuss later in the memo, that Comcast and Time Warner will be logical buyers of pieces of Charter at attractive prices down the road.

The team is evaluating the going private transaction in conjunction with Jeff Marcus, who is a well respected cable entrepreneur and is currently a partner at Crestview Capital (Barry Volpert's private equity firm). Jeff has a long and successful history of running cable businesses, and sold one of his former companies, Marcus Cable, to Charter in 1998. As a result, Jeff is highly familiar with Charter's systems, particularly given that the heritage Marcus Cable systems represent ~20% of Charter's current footprint. To the extent we pursue a transaction, Crestview would likely invest \$200 million of equity alongside Apollo (assuming a \$1.0 billion total equity account) and Jeff Marcus will join the board, ideally as Chairman. Also, the team has engaged a number of diligence advisors to help with our evaluation of the business and structural alternatives, including UBS as an exclusive financial adviser, PWC for accounting and tax assistance, Akin Gump for corporate legal and tax issues and indenture review; and Morgan

Lewis for regulatory issues. Note, UBS' M&A fee is entirely contingent upon the successful execution of a transaction, and is completely independent of whether or not Apollo pursues any purchases of debt securities. Total diligence fees incurred by Akin and PWC to date are approximately \$550K. We would expect to reduce the diligence fees substantially to the extent we fail to close a transaction.

There is some downside risk to pursuing the debt strategy in the event that the Special Committee of Charter authorizes a limited auction for the Company. If the board determines to pursue a limited auction process and such fact becomes publicly known, the bonds could trade up and there is a risk that we will have missed our window of opportunity. However, there will be no change to the credit, so some of our team thinks this will not occur. Another consideration around the debt strategy is that we would not be able to buy a sufficient amount to influence control of Charter. At the moment, the 13.5% bonds are difficult to accumulate because there is a short squeeze taking place. These bonds currently have two significant holders. One of the holders will trade occasionally and is a better buyer, while the other is a long-term holder and never trades. The 11.75% and 9.92% are easier to accumulate in a normal market. There were recently a few block trades below 70 in the 11.75% notes that cleared the market. Since this block trade, the bonds have been less liquid. Charter acts as a bell weather name so there will be increased availability to purchase bonds when the market is trading down. SVF currently controls a \$54 million position in CCH II securities and has been evaluating increasing its total position in Charter debt securities up to a maximum level of \$120 million through selected purchases of CCH I senior notes due October 2015 (11.00% coupon, CP-85.75, CY-12.8%, YTM-14.1%). SVF will only purchase additional bonds in coordination with our team.

### **III. Capital Structure and Transaction Structure**

As the table below demonstrates, Charter is among the most leveraged credits in the cable sector with ~\$20 billion of net debt or 9.7x LTM EBITDA (9.1x FY '07E EBITDA). The Company debt has varying levels of maturities, with the first major redemption occurring in 2010 with \$2.2 billion of 10.25% notes becoming due. The remaining maturities occur in 2012 and beyond. The Company has a good precedence of refinancing its debt given the market's general comfort with the cable business model, particularly its stability, dominant local positioning, and strong cash flow features. This is evidenced by the fact that despite a weak credit environment, in September 2007, Charter was able to extend the maturity of its convertible notes by refinancing a significant portion, albeit at a marginally higher rate.

# Charter Capital Structure

(\$ in millions)

Entity / (Covenant)	Security	Maturity	Coupon	Book Value	Leverage @ Face	Current Price	Market Value	Leverage @ Market (1)	Yield to Maturity	Current Yield
<b>Charter Communications Inc.</b>	Convertible Notes	2009	5.875%	\$49		NA	\$49		NA	NA
	Convertible Notes	2027	6.500%	479	9.1x	\$4,300	\$69	9.1x	17.745%	10.078%
<b>CCIC, LLC (CCIC)</b>	Exch Accreting Sub Note	Oct 1, 2020	14.000%	\$63	8.9x	NA	\$63	8.9x	NA	NA
<b>Charter Holdings (CH)</b>	Senior Notes	Apr 1, 2009	10.000%	\$58		\$7,760	\$86		11.893%	10.227%
	Senior Notes	Oct 1, 2009	10.750%	53		\$5,672	60		13.348%	11.113%
	Senior Notes	Nov 15, 2009	9.625%	37		\$5,760	35		12.127%	10.651%
	Senior Discount	Jan 15, 2010	10.250%	18		\$8,810	15		22.063%	12.684%
	Senior Discount	Jan 15, 2010	11.750%	16		\$8,000	16		12.842%	11.990%
	Senior Discount	Apr 1, 2011	9.920%	51		72,500	37		21.980%	13.683%
	Senior Notes	Jan 15, 2011	11.121%	47		78,000	37		21.084%	14.263%
	Senior Discount	Jan 15, 2011	13.500%	60		\$9,500	60		13.667%	13.363%
	Senior Notes	May 15, 2011	10.000%	69		\$8,000	55		18.033%	12.502%
	Senior Notes	May 15, 2011	11.750%	54		76,250	41		21.908%	15.410%
	Senior Discount	Jan 15, 2012	12.121%	78		74,500	56		21.804%	16.275%
			11.801%	\$578	8.9x		\$488	8.8x		
<b>CH Holdings (CH)</b>	Senior Notes	Jan 15, 2014	11.125%	\$151		\$4,000	\$97		22.130%	17.383%
	Senior Notes	May 15, 2014	10.000%	299		\$3,000	188		20.622%	15.873%
	Senior Discount	Apr 1, 2014	9.920%	471		\$3,000	297		21.736%	15.746%
	Senior Discount	Jan 15, 2014	13.500%	\$81		\$4,000	430		22.449%	16.243%
	Senior Discount	May 15, 2014	11.750%	815		67,000	545		22.556%	17.537%
	Senior Discount	Jan 15, 2015	12.125%	217		67,000	145		21.329%	16.697%
			11.589%	\$2,334	8.6x		\$1,703	8.2x		
<b>CHS, LLC (CHS)</b>	Senior Notes	Oct 1, 2015	11.000%	\$3,611		\$5,750	\$3,094		14.550%	12.828%
	Senior Notes	Oct 1, 2015	11.000%	473		\$5,250	403		14.170%	12.903%
			11.000%	\$4,084	7.4x		\$3,500	7.2x		
<b>CHS, LLC (CHS)</b>	Senior Notes	Sep 15, 2010	10.253%	\$1,742		\$8,500	\$1,715		10.375%	10.406%
	Senior Notes	Sep 15, 2010	10.253%	450		\$8,600	441		11.091%	10.489%
	Senior Notes	Oct 1, 2013	10.253%	261		\$8,500	257		10.595%	10.406%
			10.250%	\$2,453	5.8x		\$2,414	5.5x		
<b>CHS Holdings (CHS)</b>	Third Lien TL (L-275)	Apr 30, 2014	9.261%	\$795		\$7,500	\$775		9.305%	8.974%
			8.608%	\$1,145	4.4x		\$1,125	4.4x		
<b>Charter Operating (CO)</b>	Second Lien Notes	Apr 30, 2012	8.000%	\$1,100		\$7,500	\$1,073		8.692%	8.205%
	Second Lien Notes	Apr 30, 2014	8.300%	770		\$7,500	751		8.692%	8.595%
	New TL (L-200)	Apr 30, 2014	7.400%	1,515		NA	1,615		NA	NA
	Refinanced TL (L-200)	Apr 30, 2014	7.400%	5,000		NA	5,000		NA	NA
			7.567%	\$8,485	3.9x		\$8,438	3.9x		
<b>Total Debt</b>				\$19,870	9.1x		\$18,099	8.3x		
<b>Less: Cash</b>				(75)			(75)			
<b>Plus: Convertible Preferred Stock</b>				5			5			
<b>Net Debt-Preferred</b>				\$19,880	9.1x		\$18,079	8.3x		
<b>Plus: Net Fully Diluted Equity Value</b>				959			959			
<b>Plus: Minority Interest</b>				196			196			
<b>Plus: Transaction Fees</b>				25			25			
<b>Enterprise Value</b>				\$20,989	9.6x		\$19,209	8.6x		
<b>2007 Estimated EBITDA</b>				\$2,176						

(1) Leverage at market multiple assumes par for branches senior to specific securities and market value for the specific entity.

With a highly leveraged capital structure and a predominance of high coupon securities (9.3% weighted average interest rate), the Company services \$1.8 billion of annual interest requirements, virtually all of which are cash-pay in nature. This, in addition to ~\$1.2 billion of annual capex requirements, has impaired the Company's short-term cash flow position. Charter, which is expected to generate \$2.2 billion of EBITDA in FY '07, will have consumed \$900 million of cash in 2007 and an additional ~\$900 million of cash cumulatively through 2010 (before mandatory debt paydown), when it is expected to turn cash flow positive. As of September 30, 2007, the Company maintained \$1.3 billion of remaining availability under its revolving credit facility, which should accommodate its cash requirements until it achieves positive free-cash-flow, assuming it can achieve growth consistent with analyst expectations. However, Charter must maintain \$250 million of available liquidity under its revolver to pay principal payments on its debt (Charter has ~\$450 million of availability in 2010, the trough year in the Apollo base case). Research analysts have supported positions for compounded growth rates in EBITDA of 10-11% over the medium-term as the Company monetizes the rollout of its enhanced digital services. A risk of default could be further mitigated by a reduction in Charter's capital expenditures as only ~50.0% of total capex in the projection period is maintenance capex. If RGU growth decreased from a CAGR of 6.1% from '07 to '12 in the Base Case to 4.0% in the Downside Case then Charter would experience a cumulative reduction in capex of approximately \$550 million. In this downside scenario Charter only consumes ~\$950 million of cash cumulatively through 2011 when it turns cash flow positive. Alternatively, Charter generates ~\$1.0 billion of positive cumulative cash flow assuming maintenance capex requirements only.

As long as Charter has sufficient capacity to service its interest payments, its tenuous liquidity position is not likely to trigger an event of default on its debt given the attractiveness of its current

covenant structure. Charter's debt facilities generally permit dividends to be made to pay interest on the debt of any direct or indirect parent so long as no default exists under the operating company's credit agreement or any material debt indenture. Furthermore, the debt facilities generally permit dividends to be made to make principal payments on such debt so long as (i) no default exists under the operating company's credit agreement or any material debt indenture, (ii) the operating company has available liquidity of \$250 million (defined as revolver capacity plus cash on hand), and (iii) a specified leverage ratio at each holding company making a dividend is met. There are no maintenance covenants in Charter's debt facilities other than in the operating company's credit agreement, which provides for a maximum consolidated leverage ratio of 5.0x and maximum consolidated first lien leverage ratio of 4.0x. Charter's debt facilities do contain debt incurrence covenants at levels that increase (from 4.25x to 8.75x) as you move up the corporate structure. For purposes of these tests, last quarter's EBITDA is annualized. The deal team is comforted by the limited restrictions in Charter's bond indentures and the nature of the amortization characteristics, all of which dictate bullet payments. However, there is a risk that debt at CCH I will be layered by subsidiary ratio debt or by subsidiary credit agreement basket debt as occurred in the Malone-led UPC restructuring. By 2010, Charter could have the capacity to layer-in securities senior to ours with a value in excess of \$2.5 billion. Note that such debt should be neutral to (i) the enterprise value of Charter and (ii) to the extent the proceeds are used to refinance existing subsidiary debt (including the \$2,190 million 10.25% senior notes of CCH II due 2010), to the valuation of CCH I debt.

Charter's stock is currently trading at \$1.29, which implies an equity market capitalization of ~\$960 million. The Company's \$20 billion of net debt is propping up its enterprise valuation, which, at the current price, implies 9.6x FY '07E, 12.8x EBITDA-maintenance capex, or ~\$4,000 per basic subscriber. Employing the market value of debt for each of its tranches, the company trades at 8.8x FY '07E, 11.7x EBITDA-maintenance capex, or ~\$3,600 per sub. As the comparable trading valuations outlined in **Appendix III** demonstrate, Charter's peer group trade at a significant discount at 7.1x FY '07E EBITDA or \$3,265 per sub, with Comcast trading at 6.5x FY '07E EBITDA (\$3,166 per sub) and Time Warner Cable trading at 7.0x FY '07E EBITDA (\$3,029 per sub). The discount is due to the (i) generally underleveraged nature of their balance sheets (Comcast at 2.6x, Time Warner at 2.5x) and (ii) perception that their growth in enhanced services, specifically digital video, telephony and data, has somewhat peaked. The table below outlines implied multiples for Charter at an illustrative range of purchase prices. Given the diminished nature of the Company's equity value relative to its debt load, the implied multiples do not vary much at wide variances in purchase price.

**Implied Multiples at Various Prices**

(\$ in millions)

Share Price	Market \$1.29	Illustrative Purchase Price				
		\$2.00	\$2.25	\$2.50	\$2.75	\$3.00
<b>% Premium/Discount to:</b>						
Current Price (11/23/07)	\$1.29	0.0%	55.0%	74.4%	93.8%	113.2%
52 Week High (7/19/07)	\$4.80	(73.1%)	(58.3%)	(53.1%)	(47.9%)	(42.7%)
52 Week Low (11/9/07)	\$1.14	13.2%	75.4%	97.4%	119.3%	141.2%
160-Day Trailing Average	\$2.99	(56.8%)	(32.1%)	(24.7%)	(16.4%)	(8.0%)
<b>Net Fully Diluted Shares</b>						
	743.5	747.9	749.0	749.9	750.6	751.2
<b>Equity Value</b>						
	\$959.1	\$1,495.8	\$1,685.2	\$1,874.6	\$2,064.1	\$2,253.6
<b>Net Debt+Preferred</b>						
	19,800.0	19,800.0	19,800.0	19,800.0	19,800.0	19,800.0
<b>Other (Min Interest, Fees)</b>						
	221.0	221.0	221.0	221.0	221.0	221.0
<b>Total Enterprise Value ("TEV")</b>						
	\$20,980.1	\$21,516.8	\$21,706.2	\$21,895.6	\$22,085.1	\$22,274.6
<b>TEV / EBITDA:</b>						
FY '07E	9.5x	9.9x	10.0x	10.1x	10.1x	10.2x
FY '08E	8.7x	9.0x	9.0x	9.1x	9.2x	9.3x
<b>TEV / EBITDA-Capex:</b>						
FY '07E	22.1x	22.6x	22.8x	23.0x	23.2x	23.4x
FY '08E	17.6x	18.0x	18.2x	18.3x	18.5x	18.7x
<b>TEV / EBITDA-Maintenance Capex:</b>						
FY '07E	12.8x	11.1x	13.2x	13.4x	13.5x	13.6x
FY '08E	11.3x	11.6x	11.7x	11.8x	11.9x	12.0x
<b>TEV / FY '07E Basic Subs</b>						
	\$3,962	\$4,063	\$4,099	\$4,135	\$4,171	\$4,206

Of the various debt securities within the capital structure, we have identified a specific few that we view as attractive purchase opportunities at current trading levels, particularly given our favorable view of the cable business, strong near-term growth expectations for Charter and general confidence in trough valuation/multiple levels for the company and industry. The table below outlines the securities we have identified as immediately actionable, as well as the yield profiles for each. Each security is contained in the CCH I Holdings ("CIH") entity within the capital structure, which is governed by a maximum incurrence covenant test of 8.75x last-quarter annualized EBITDA. At current trading levels, the CIH notes finance down to 8.2x FY '07E EBITDA and 7.5x FY '08E EBITDA, and in all cases imply attractive yields to maturity and yields to par in excess of 20%.

**Selected Charter Summary Yields**

Security	Principal	Price	CY	YTM	Yield to Par				Maturity
					2 Years	3 Years	4 Years	5 Years	
<b>IBR:</b>									
13.50% CIH Notes	\$581	74.0%	18.2%	22.4%	34.8%	28.4%	25.4%	23.7%	1/15/14
9.92% CIH Notes	471	63.0%	15.7%	21.7%	41.7%	31.5%	26.7%	24.0%	4/1/14
11.75% CIH Notes	815	67.0%	17.5%	22.6%	39.7%	31.0%	27.0%	24.6%	5/15/14
<b>MOIC:</b>									
13.50% CIH Notes				2.5x	1.7x	1.9x	2.1x	2.3x	
9.92% CIH Notes				2.6x	1.9x	2.1x	2.2x	2.4x	
11.75% CIH Notes				2.6x	1.8x	2.0x	2.2x	2.4x	

Section IV provides a more detailed discussion supporting the team's comfort that trough multiples for Charter will exceed the levels at which the CIH notes current trade. Additionally, Section VI provides a more detailed discussion on the opportunities surrounding the CIH securities, specifically the implied yields at various entry prices, exit values and points in time.

We have studied two alternatives, which include (graphical depiction of each provided in Appendix II):

- **Scenario A** - Monetize a significant portion of Paul's equity stake through a secondary investment made by Apollo, with the public shares remaining outstanding.
- **Scenario B** - Take-private transaction, in which Apollo pays an attractive premium on the current market price to retire the public shares and partner with Paul to execute the next phase of the Company's growth plan in a private market context.

Given Vulcan's economic incentive to maximize valuation and given the levels at which Charter has traded over the past year, we expect Vulcan to guide Paul to seek a potential valuation close to the Company's 52-week high of \$4.80 per share. The transaction is a non-starter for the team at this valuation, which creates an impediment to pursuing Scenario A. The team's view is that Scenario B is a more viable alternative since in that situation Apollo could offer the public a substantial premium to the current market price, albeit lower than the 52-week high levels, and Paul could recover some equity value over the next few years by partnering with Apollo, a value-added partner who can help Charter capitalize on the myriad of growth opportunities in the current pipeline.

Each transaction alternative has significant structural and tax implications. The most important objective from a structural perspective is to avoid triggering a change of control, which would accelerate the debt. Maintaining the current capital structure is crucial to executing a transaction

since a leveraged capital structure with ~10x debt cannot be replicated. The change of control triggers generally relate to Paul's level of economic and voting interest in Charter, and include:

1. Both minimum 5% economic ownership threshold and minimum 20% economic value threshold for Paul, as measured by the price as of the Company's IPO date (\$19.00 per share). Therefore, as long as Paul maintains a minimum 5% economic ownership threshold then a change of control is not triggered.
2. Minimum 35% voting control for Paul
3. Voting control for Paul that is greater than a third party acquirer
4. Minimum continuing directors requirement

The team has been considering alternatives that enable the transaction to be structured in a manner which avoids triggering a change of control under the indentures, while achieving the sufficient control for Apollo. Ways to address these challenges would be for Apollo to gain comfort with a very strong set of negative controls or to invest in a "golden share" in Charter that would afford Apollo with certain affirmative rights.

The type of transaction the team pursues also has a meaningful impact on taxes, specifically the potential usability of Charter's ~\$7 billion of NOLs. Since the Company doesn't expect to generate positive cash flow until 2010, using NOLs to shield taxable income is not immediately relevant. NOLs become valuable in situations in which the Company can shield gains from asset divestitures. Divesting certain clusters, including LA or Dallas, to MSOs such as Comcast or Time Warner, who view these assets as highly strategic, would allow Apollo to buy down its purchase price multiple with little tax leakage. The NOLs could also become valuable at exit to the next buyer, who could employ the losses to offset the positive income that would be generated by Charter starting in 2010. For the purposes of shielding tax gains on asset sales, we believe we would still be able to realize most of these benefits even if we trigger a 382 limitation in a take private transaction, as we will likely be able to step up the basis of assets at the time we consummate the transaction.

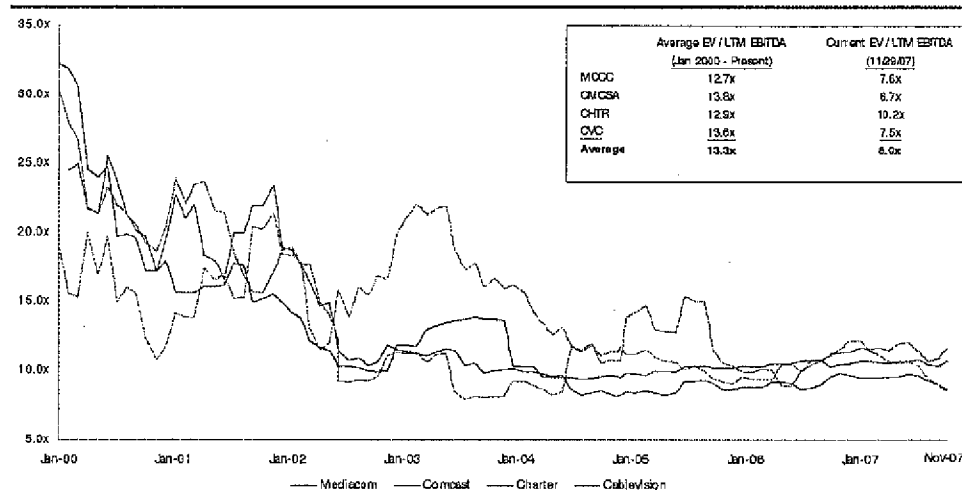
#### **IV. Valuation**

An assessment of Charter's underlying intrinsic value is a critical factor in helping us to evaluate (i) the appropriate multiple we can expect to generate for the business at exit and (ii) the recovery rate that can be realized on Charter's debt in a steady state environment. Given the magnitude of the Company's EBITDA (\$2.2 billion estimated for FY '07) and the highly leveraged nature of the Company's capital structure, the assumptions we make for exit multiples (and the corresponding terminal values) have a meaningful impact on equity value creation and debt recovery rates. Small incremental changes in the exit multiple we apply to terminal year EBITDA drive big swings in the enterprise value of Charter. At the current price of \$1.29, the Company trades at 9.6x FY '07E EBITDA or 8.7x FY '08E EBITDA. At an illustrative transaction valuation of \$2.50, which represents an approximately 100% premium on the current market price, the implied multiples are 10.1x and 9.1x FY '07E and FY '08E EBITDA, respectively. As we have mentioned, Charter's valuation is being supported by its significant debt load. Although the multiples implied by the current market valuation, as well as our potential take-out valuation, are in line with a number of relevant valuation datapoints for the cable industry, we have employed conservatism with respect to our exit multiple assumption, operating with the notion that the equity/debt markets would not allow us to realize the same multiple at exit as at entry. The team feels comfortable underwriting to an exit multiple of 8.5x trailing EBITDA or 8.0x forward EBITDA for the business based on a number of valuation methodologies described in the following detail.

- **Historical Trading Multiples** – As **Appendix III** demonstrates, Charter's relevant peer group of MSO comparables, which is comprised of Comcast, Cablevision, Mediacom and Time Warner Cable, are trading at an average of 7.1x and 6.4x FY '07E and FY '08E respectively. Cable valuations, which are at trough levels, have been hit by the general perception that growth in the core video service offering, which represents ~60-70% of each MSO's revenue base, has plateaued. In addition, the MSOs have been facing consistent pressure on subscriber net additions from the competitive threats posed by the direct to broadcast satellite ("DBS") providers, including DirecTV and EchoStar and the telecom providers, including Verizon and AT&T, who are developing their video capabilities. As the chart below demonstrates, these issues have driven a contraction in EBITDA multiples for the sector since 2000. The cable sector has traded at an average of 13.3x EV / LTM EBITDA over the period, versus a current multiple of 8.0x for the MSOs (7.3x excluding Charter). Although we view a general compression in cable sector valuations to be appropriate, we believe the market has overreacted to the trends impacting the MSOs and maintain that a complete "re-rating" of the sector to the current levels to be unjustified. We are comforted by the fact that, despite competitive pressures, the cable industry has rarely traded below the 9x level. Additionally, while many of the MSOs have reached maturation levels for some services, Charter was late in rolling out its enhanced digital services, and as a result, is highly underpenetrated in these services relative to its peers. Analysts predict that the Company will generate low double digit growth rates in EBITDA over the next 4-5 years as (i) subscriber additions for data and telephony ramp up and (ii) the mix of new services drives higher levels of average revenue per unit ("ARPU"), which are currently below the general industry averages (\$83 ARPU in FY '06 versus \$91 for MSO peer group). On this basis, Charter's valuation should hold up relatively well compared to its peer group.

## Historical Cable Trading Multiples

EV / LTM EBITDA (January 2000 – Present)



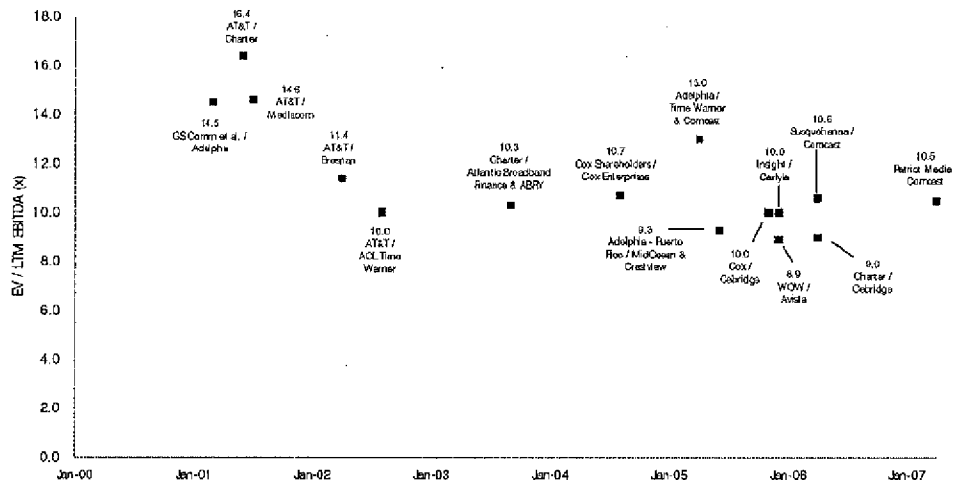
Source: FactSet and Company Reporting

- **Comparable Transaction Multiples** – In stark contrast to the public environment, **Appendix IV** demonstrates that precedent transactions in the cable sector have been completed at an average LTM EBITDA multiple of 10.2x, with transactions that exceeded \$1 billion

completed at an average multiple of 10.8x. The graph below provides a depiction of all the transactions greater than \$500 million since January 2000, including the LTM EBITDA multiple for each. The graph highlights that although multiples for the transactions have generally contracted over time, they have rarely dipped below 9.0x, and recent transactions have been completed in the 9x-11x range, pre-synergies and tax benefits.

## TEV / LTM EBITDA <sup>1</sup>

Cable M&A Transactions Greater Than \$500mm (January 2000 – Present)



Source: Company Filings, Wall Street Research

Note:

<sup>1</sup> Excludes Cablevision / Adelphia (November 2000) and AT&T / Comcast (November 2002)

There is a dislocation between private and public market values for cable assets as evidenced by the fact that strategic acquirers have strong precedence of paying premium multiples. MSOs have demonstrated a willingness to pay up for assets, particularly given (i) their ability to generate synergies from subscriber clusters that are highly strategic to their systems, (ii) certain tax features that can create attractive cash flow benefits and (iii) content purchase synergies. One relatively recent example of a group of strategic acquirers paying a premium multiple for a cable asset with scale involved the April 2005 acquisition of Adelphia Communications by Comcast and Time Warner Cable. On face, the \$17.6 billion acquisition implied a 13x multiple on Adelphia's \$1.35 billion of trailing EBITDA. In splitting up the assets, Comcast and Time Warner were able to generate an aggregate \$3.4 billion of present value tax benefits and sufficient synergies to reduce their effective multiples to an estimated range of 9x-11x. Although both Comcast and Time Warner are not likely buyers of Charter today given the trading levels of their stocks and the Adelphia integration requirements, both operators maintain a significant degree of overlap with Charter's footprint and would likely hold significant interest in splitting up Charter, particularly given the large potential for tax benefits and synergies. The chart below outlines that strategic acquirers have paid prices that imply large headline multiples for cable assets given their ability to significantly reduce them on a pro-forma basis.

## Effective Cable Transaction Multiples

Buyer	Comcast	Comcast	Cablecast	TWC/Comcast
Target	Patriot Media	Susquehanna	Charter	Adelphia
<b>Transaction Overview</b>				
TEV (\$mm)	493	775	760	17,600
Subscribers ('000s)	81	226	240	5,017
Tax Feature	754 Election	Partnership Redemption	Basis Step-Up	Basis Step-Up
Tax Value (\$mm) <sup>1,2,6,7</sup>	~80	~100	~125	3,400
Synergies (\$mm) <sup>2,3,6,7</sup>	15 - 20	25 - 30	9.3	na
EBITDA (\$mm)	46.9	73.1	84.1	1,354
Adj. EBITDA (\$mm)	66.9	100.6	93.4	na
<b>Multiples</b>				
LTM EBITDA (x)	10.5	10.6	9.0	13.0
Subscribers (\$)	6,086	3,429	3,167	3,700
<b>Adjusted Multiples <sup>4</sup></b>				
LTM EBITDA (x)	6.2	6.7	6.8	9.0 - 11.0
Subscribers (\$)	5,099	2,987	2,646	2,700 - 2,900
<b>Adjustment Difference</b>				
LTM EBITDA (x)	4.3	3.9	2.2	3.0
Subscribers (\$)	988	442	521	900

**Notes:**

- 1 Patriot tax benefits estimated by UBS
- 2 Patriot synergies estimated by Patriot management
- 3 Susquehanna synergies and tax benefits per Comcast investor presentation
- 4 Comcast was a 30% partner in Susquehanna and marketed multiple as cash consideration (\$2,794 per sub and 6.4x EBITDA)
- 5 Cablecast step-up value estimated by UBS
- 6 Cablecast synergies per lenders presentation
- 7 Adelphia tax benefits and synergies per Comcast and Time Warner Cable investor presentations

- **DCF** - Performing a DCF on Charter for the 10 years beyond a potential exit in Year 5 (e.g. 2013-2021), implies an NPV multiple of approximately 8.5x-10.0x FY '12E EBITDA, assuming a 2.5% perpetuity growth rate and a WACC range of 8.5%-9.5%. The sensitivity table below outlines implied terminal EBITDA multiples based on varying perpetual growth rates and WACCs. Note, the implied exit multiples are highly sensitive to changes in perpetual growth, which we have conservatively assumed to be consistent with GDP growth levels.

### Sensitivity on Implied Terminal EBITDA Multiple

WACC	Perpetuity Growth Rate				
	2.0%	2.3%	2.5%	2.8%	3.0%
8.5%	9.07x	9.45x	9.87x	10.33x	10.82x
9.0%	8.42x	8.75x	9.11x	9.50x	9.92x
9.5%	7.86x	8.15x	8.46x	8.80x	9.16x
10.0%	7.37x	7.62x	7.90x	8.19x	8.50x

- **Acquirer ROE** - We have also performed an analysis to determine what multiple a strategic acquirer would be willing to pay for Charter at our exit in Year 5, based on its target capital structure and return on equity threshold. A strategic that maintains a target of 60% debt to capitalization and has an internal equity hurdle rate of 11.0%, could justify paying an approximately 8.6x multiple of EBITDA for Charter at a potential exit in Year 5. The table

below demonstrates a range of implied exit multiples based on varying assumptions for the required ROE and capitalization of a strategic acquirer.

**Sensitivity on Implied Exit Multiple in Year 5 (2012)**

Debt/ Cap	ROE of Acquiror			
	9.0%	10.0%	11.0%	12.0%
50.0%	9.1x	8.6x	8.0x	7.6x
55.0%	9.3x	8.8x	8.3x	7.9x
60.0%	9.6x	9.0x	8.6x	8.2x
65.0%	9.8x	9.3x	8.9x	8.5x
70.0%	10.0x	9.6x	9.2x	8.8x

- **FCF Multiples** – We have also analyzed the FCF multiples implied by the growth underlying our Base Case. The chart below demonstrates that, assuming a valuation of 8.5x trailing EBITDA, the EBITDA-capex multiples decline from 19.5x in FY '07 to 13.2x by FY '12, which is driven by a 17.6% FY '07-'12 CAGR in FCF over the projection period. Further, with ~50% of Charter's capital requirements representing discretionary capex, the Company has the ability to reduce spending in cash constrained situations. Employing an EBITDA-maintenance capex methodology, FCF multiples decline from 11.3x in FY '07 to 10.5x by FY '12 and implies a 10.2% FY '07-'12 CAGR in FCF over the projection period.

**Implied FCF Multiples**

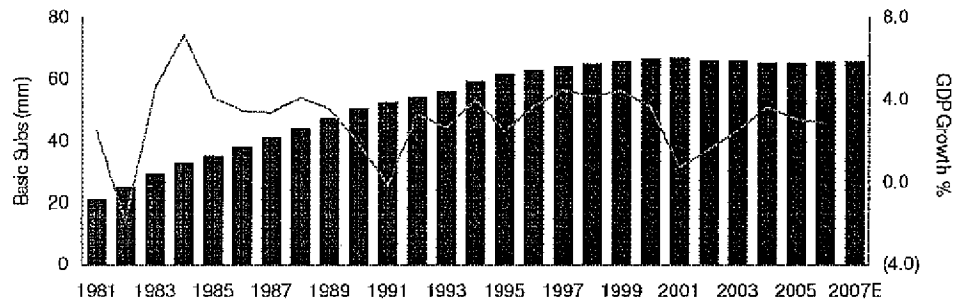
(\$ in millions)

		Estimated FY '07	Projected FYE December 31,					CAGR '07-'12
			2008	2009	2010	2011	2012	
<b>EBITDA- Total Capex</b>	EBITDA	\$2,176.0	\$2,398.6	\$2,653.9	\$2,915.7	\$3,107.3	\$3,307.0	8.7%
	Customer Premise Capex ("CPE")	687.9	662.0	664.4	614.8	573.0	533.4	(5.0%)
	Maintenance Capex	537.4	543.2	564.5	589.1	614.0	639.2	3.5%
	Total Capex	1,225.3	1,205.2	1,228.9	1,203.9	1,187.0	1,172.7	(6.9%)
	EBITDA-Total Capex	\$950.7	\$1,193.4	\$1,425.0	\$1,711.9	\$1,920.3	\$2,134.4	17.6%
	% of EBITDA	43.7%	49.8%	53.7%	58.7%	61.8%	64.5%	
	% Y-O-Y Growth		25.5%	19.4%	20.1%	12.2%	11.1%	
	<b>Implied TEV:</b>							
	8.00x Trailing EBITDA	\$17,407.8	\$19,189.1	\$21,231.1	\$23,325.9	\$24,858.3	\$26,456.1	
	8.25x Trailing EBITDA	17,951.8	19,788.7	21,894.6	24,054.8	25,635.2	27,282.8	
	8.50x Trailing EBITDA	18,495.7	20,388.4	22,558.1	24,783.7	26,412.0	28,109.6	
<b>EBITDA- Maint Capex</b>	<b>TEV / EBITDA-Total Capex</b>							
	8.00x Trailing EBITDA	18.3x	16.1x	14.9x	13.6x	12.9x	12.4x	
	8.25x Trailing EBITDA	18.9x	16.6x	15.4x	14.1x	13.3x	12.8x	
	8.50x Trailing EBITDA	19.5x	17.1x	15.8x	14.5x	13.8x	13.2x	
	EBITDA	\$2,176.0	\$2,398.6	\$2,653.9	\$2,915.7	\$3,107.3	\$3,307.0	8.7%
	Maintenance Capex	537.4	543.2	564.5	589.1	614.0	639.2	3.5%
	EBITDA-Maintenance Capex	\$1,638.6	\$1,855.4	\$2,089.4	\$2,326.7	\$2,493.3	\$2,667.8	10.2%
	% of EBITDA	75.3%	77.4%	78.7%	79.8%	80.2%	80.7%	
	% Y-O-Y Growth		13.2%	12.6%	11.4%	7.2%	7.0%	
	<b>Implied TEV:</b>							
	8.00x Trailing EBITDA	\$17,407.8	\$19,189.1	\$21,231.1	\$23,325.9	\$24,858.3	\$26,456.1	
	8.25x Trailing EBITDA	17,951.8	19,788.7	21,894.6	24,054.8	25,635.2	27,282.8	
	8.50x Trailing EBITDA	18,495.7	20,388.4	22,558.1	24,783.7	26,412.0	28,109.6	
<b>EBITDA- Maint Capex</b>	<b>TEV / EBITDA-Maint Capex</b>							
	8.00x Trailing EBITDA	10.6x	10.3x	10.2x	10.0x	10.0x	9.9x	
	8.25x Trailing EBITDA	11.0x	10.7x	10.5x	10.3x	10.3x	10.2x	
	8.50x Trailing EBITDA	11.3x	11.0x	10.8x	10.7x	10.6x	10.5x	

**V. Investment Considerations**

- **Industry Stability** – The cable industry has historically proven to be generally resistant to recessions, with operators able to maintain / grow basic subscribers despite downturns in the economy. Going forward, customer need for basic cable and high speed data is expected to continue, as these services are increasingly viewed by households as core utilities.

## Basic Cable Subscribers Versus GDP Growth



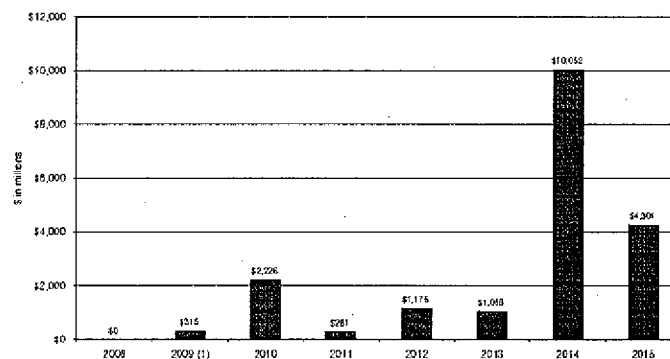
Source: NCTA and US Bureau of Economic Analysis

- *Growth Opportunities* –The Company has invested significant capital to offer its subscribers a suite of enhanced digital services, including digital video, high-speed data, telephony, HD, VOD and DVR. Charter was somewhat late to rolling out these services, which has caused it to underperform its peers on nearly every operating metric. Charter's weak operating results relative to its peers is illustrated through its video, data and telephony '07E basic penetration which is 45.0%, 24.4% and 7.0%, respectively, compared to its peer averages of 53.5%, 32.2% and 15.2%, for video, data and telephony, respectively. On an ARPU basis, Charter is projected to have a '07E ARPU of \$93.42 compared to its peer average of \$100.15. We are conservatively estimating data and telephony subscribers to grow at CAGRs of 8.7% and 26.9% from '07E-'12E in order to achieve data and telephony '12E basic penetration levels of 36.1% and 22.5%, respectively, which will be more inline with its peers. In addition, rolling out additional services will enable Charter to capture more RGUs per customer through bundling. Service bundling, particularly the "triple play", which is a combination of video, data and voice services, has significantly reduced the level of subscriber churn for the MSOs.
- *Compelling Partners* – Charter represents a substantial investment for Paul Allen. It is valuable for Apollo to establish a relationship with Paul, who is highly motivated to make his estimated \$7.5 billion investment in Charter work. Additionally, developing a relationship with Jeff Marcus, a highly respected cable entrepreneur, may provide Apollo with a compelling angle that differentiates us from other sponsors. Paul has considerable respect for Jeff, as evidenced by the fact that Paul had offered Jeff the role of CEO at Charter. Jeff is also very familiar with the Charter systems, having sold Marcus Cable to Charter in 1998. The heritage Marcus Cable systems represent ~20% of Charter's current network.
- *Competition* – Cable MSOs had traditionally been able to operate as virtual monopolies in the local markets they served. However, a number of competitive interlopers have emerged with the ability to transmit voice, data, and video with similar quality to cable. Historically, cable operators have competed with DBS operators in the video market, local telephone companies in the data market and, in limited areas, cable overbuilders across the product suite. Cable MSOs have been able to differentiate their service by offering consumers a bundled product of video, data and telephony service, which historically could not be provided by DBS or Telco providers. Although EchoStar has reportedly been in merger discussions with AT&T, a bundled video/voice service offered by the two companies is

likely not to be highly competitive given the two distinct technologies, versus the integrated bundle that cable can offer its subscribers. Also, within the last two years, in an effort to replace their rapidly eroding wireline revenue streams, AT&T and Verizon, have begun to expand their service offering to video and higher speed data services through the rollout of a new, fiber-based network. The telecom providers will invariably compete on the basis of price given the similarity in service offering to cable. Charter is somewhat insulated from the competitive threats posed by the telecom providers, with only 2.4% overlap with Verizon's FiOS service and 0.1% overlap with AT&T's U-Verse service across all of Charter's markets. This compares to 24.8% for FiOS and 1.7% for U-Verse across Cablevision's markets, which are predominantly based in the NY area. Section VIII provides more background on the competitive dynamics facing the cable industry.

- **Significant Leverage** – With ~10x leverage, Charter represents one of the highest leveraged companies in the media sector. The significant leverage has placed a great deal of pressure on the management team, which lacks the flexibility to operate and invest in the business. Charter peers, namely Comcast and Time Warner, have the ability to focus on executing their growth initiatives without the undue financial risk from excessive levels of leverage. An important mitigant to the leverage issue is that the capital structure has few maintenance covenant requirements, which provides some degree of operating cushion.
- **Liquidity Issues** - As discussed above, the Company operates with ~\$1.8 billion of annual interest requirements and ~\$1.2 billion of capex requirements (~50% maintenance capex), which are largely necessary to accommodate the Company's anticipated growth in subscribers. Charter's current base of ~\$2 billion of EBITDA is not sufficient to serve these cash requirements, and as a result, the Company is expected to consume ~\$900 million of cumulative cash (before mandatory debt paydown) before turning free cash flow positive in late 2010 (~\$1.0 billion of positive cumulative cash flow assuming maintenance capex requirements only). Although Charter has sufficient capacity under its revolver to fund the cash needs of the business through 2010, the Company's solvency position is also complicated by the fact that \$2.2 billion of 10.25% Senior Notes mature in September 2010. In order to successfully refinance this debt, Charter will need to have \$250 million of availability under its revolver at the time (Charter has ~\$450 million of availability in 2010, the trough year in the Apollo base case). If Charter cannot refinance its maturing debt it will need to divest certain subscriber clusters or begin to cut all discretionary capex and run the business for cash, which would materially impact long-term growth. The following graph outlines the Company's debt maturity profile.

Charter Debt Maturity Profile



(1) includes outstanding balance of exchangeable senior sub notes (\$77.6 mn), which can be settled with cash in 2009. Includes accretion of \$14.6 million from December 31, 2007 to June 30, 2009.

- Poor Customer Service – Charter has historically experienced poor customer service quality issues. Charter consistently ranks near the bottom of average customer satisfaction scores aggregated by JD Power for all providers of video service (e.g., cable, DBS, overbuilders, telcos). DBS providers have differentiated their offering by extending their subscribers exceptional quality service, which is evidenced by the fact that DirecTV and EchoStar consistently rank at the top of the JD Power list. Charter's customer service issues may be the result of a confluence of factors, including (i) lack of proper coordination between sales/marketing agents and customer service reps (e.g., technical assistance, billing/collection, etc.), (ii) outsourcing of a number of customer service functions to third party CRM providers such as Convergys, (iii) lack of proper training and investment in customer service processes and procedures and (iv) complexity of triple-play service.
- Cable Regulation – Over the past few months, the current administration at the Federal Communications Commission ("FCC"), led by Commissioner Kevin Martin, has proposed a number regulatory initiatives that, if passed, could have a meaningful impact on the way MSOs operate. The specific issues underlying the proposal, which are highlighted in **Section VIII**, have caused internal squabbling at the FCC and outside pressure from Congress and the White House to delay, if not completely derail, the plan. Kevin Martin's fellow commissioners refused to support his proposal to tighten cable regulation, which has subsequently caused him to retrench from his initial position. Kevin Martin originally believed that ratcheting enough pressure on the cable industry through the various proposed regulations will help to secure momentum for his real priority issue, which is cable a la carte, a regulation that would mandate that cable channels be priced and ordered individually rather than from a selected bundle. Practically, a la carte is too significant of an issue for something to be passed in the short-term (e.g., game changing for both the cable content and distribution businesses). Also, Kevin Martin and the FCC do not have authority to invoke a la carte without the support of Congress. **Section VIII** provides more detail on the current regulatory issues facing the cable industry.

## VI. Debt Opportunity

The team believes that at the current prices, the CIH notes represent some of the few credits in the media sector that offer attractive yields against a strong and stable business with good long-term fundamentals. With sufficient availability under its revolver and a strong precedence of extending its maturities, Charter does not face a near-term liquidity crunch, and as a result, we would expect to collect interest throughout our potential hold period, recover full value for the notes and avoid a restructuring. Assuming Charter avoids a restructuring and we hold the notes, the yields at various purchase prices for the selected CIH securities that we are targeting are as follows:


# Implied Yields at Various Prices and Exits

Denotes sensitivity at current price

\$815 million 11.75% CIH Notes Due May 2014											
Price	FY '07E EBITDA	Current Yield	Yield to Maturity	Yield to Par				Yield to 90			
				2 Years	3 Years	4 Years	5 Years	2 Years	3 Years	4 Years	5 Years
67.0	8.2x	17.5%	22.6%	20.7%	21.0%	21.3%	21.6%	21.6%	21.8%	22.1%	22.4%
60.0	8.2x	19.6%	25.8%	48.6%	37.0%	31.5%	28.5%	42.1%	33.3%	29.1%	26.7%
62.5	8.2x	18.8%	24.6%	45.2%	34.7%	29.8%	27.0%	38.9%	31.1%	27.4%	25.2%
65.0	8.2x	18.1%	23.4%	42.1%	32.6%	28.2%	25.6%	35.9%	29.0%	25.8%	23.9%
67.5	8.2x	17.4%	22.4%	39.1%	30.7%	26.7%	24.3%	33.1%	27.1%	24.3%	22.6%
70.0	8.2x	16.8%	21.3%	36.3%	28.8%	25.2%	23.1%	30.4%	25.3%	22.8%	21.4%
72.5	8.2x	16.2%	20.3%	33.7%	27.0%	23.8%	21.9%	27.9%	23.5%	21.4%	20.2%
75.0	8.2x	15.7%	19.4%	31.2%	25.3%	22.5%	20.8%	25.5%	21.9%	20.1%	19.1%
77.5	8.3x	15.2%	18.5%	28.9%	23.7%	21.2%	19.8%	23.2%	20.3%	18.9%	18.1%
80.0	8.3x	14.7%	17.7%	26.6%	22.2%	20.0%	18.8%	21.1%	18.8%	17.7%	17.1%
\$881 million 13.50% CIH Notes Due Jan 2014											
Price	FY '07E EBITDA	Current Yield	Yield to Maturity	Yield to Par				Yield to 90			
				2 Years	3 Years	4 Years	5 Years	2 Years	3 Years	4 Years	5 Years
79.0	8.2x	20.2%	26.1%	50.6%	39.9%	33.9%	30.4%	45.4%	36.3%	32.1%	29.7%
60.0	8.2x	22.5%	29.2%	51.8%	40.0%	34.5%	31.4%	45.4%	36.3%	32.1%	29.7%
62.5	8.2x	21.6%	27.8%	48.3%	37.6%	32.6%	29.8%	42.0%	34.0%	30.3%	28.1%
65.0	8.2x	20.8%	26.5%	45.0%	35.4%	30.9%	28.3%	38.9%	31.9%	28.6%	26.6%
67.5	8.2x	20.0%	25.3%	41.8%	33.3%	29.3%	26.9%	35.9%	29.8%	26.9%	25.3%
70.0	8.2x	19.3%	24.2%	39.1%	31.4%	27.7%	25.6%	33.1%	27.9%	25.4%	24.0%
72.5	8.2x	18.6%	23.1%	36.3%	29.5%	26.3%	24.4%	30.5%	26.1%	24.0%	22.7%
75.0	8.2x	18.0%	22.0%	33.6%	27.8%	24.9%	23.2%	28.0%	24.4%	22.6%	21.5%
77.5	8.2x	17.4%	21.1%	31.3%	26.1%	23.6%	22.1%	25.7%	22.7%	21.3%	20.4%
80.0	8.2x	16.9%	20.1%	29.0%	24.5%	22.3%	21.0%	23.5%	21.2%	20.0%	19.4%
\$471 million 9.92% CIH Notes Due April 2014											
Price	FY '07E EBITDA	Current Yield	Yield to Maturity	Yield to Par				Yield to 90			
				2 Years	3 Years	4 Years	5 Years	2 Years	3 Years	4 Years	5 Years
69.0	8.2x	15.3%	21.1%	41.5%	31.5%	26.7%	24.0%	35.9%	27.8%	24.9%	22.1%
60.0	8.2x	16.5%	23.1%	45.5%	34.0%	28.7%	25.6%	39.0%	30.3%	26.1%	23.7%
62.5	8.2x	15.9%	22.0%	42.3%	31.9%	27.0%	24.2%	35.9%	28.2%	24.5%	22.4%
65.0	8.2x	15.3%	20.9%	39.2%	29.9%	25.5%	22.9%	33.0%	26.2%	23.0%	21.1%
67.5	8.2x	14.7%	19.9%	36.4%	28.0%	24.0%	21.7%	30.3%	24.4%	21.6%	19.9%
70.0	8.2x	14.2%	18.9%	33.7%	26.2%	22.6%	20.6%	27.7%	22.6%	20.2%	18.8%
72.5	8.2x	13.7%	18.0%	31.2%	24.5%	21.3%	19.5%	25.3%	21.0%	18.9%	17.7%
75.0	8.2x	13.2%	17.1%	28.7%	22.9%	20.1%	18.4%	23.0%	19.4%	17.7%	16.6%
77.5	8.2x	12.8%	16.3%	26.5%	21.4%	18.9%	17.4%	20.8%	17.9%	16.5%	15.7%
80.0	8.2x	12.4%	15.5%	24.3%	19.9%	17.8%	16.5%	18.7%	16.5%	15.4%	14.7%


At current trading levels, the CIH notes finance down to 8.2x FY '07E EBITDA or 7.5x FY '08E EBITDA. At the current share price of \$1.29 and employing the market value of its debt, Charter is trading at 8.8x and 8.0x FY '07E and FY '08E, respectively. At these current levels there is sufficient coverage for full repayment of the CIH securities. Picking 2009 as an illustrative exit year, investors in the CIH notes can recover 100% of face value and generate implied returns in excess of 30%, assuming Charter is valued at 7.5x trailing or 6.8x forward EBITDA. The team believes this valuation to be completely reasonable and achievable based on the methodologies described in Section IV. At a valuation of 7.25x trailing or 6.6x forward EBITDA, holders of CIH notes recover only 75% of face value, but still generate implied returns in excess of 20%. This demonstrates that given the magnitude of the Company's EBITDA, the assumptions made for exit/terminal multiples have a meaningful impact on the recovery rates on Charter's debt. The team is comforted by the fact that a valuation of 7x trailing EBITDA or greater is sufficient to enable recovery of 100% of the CIH notes' face value in 2010 and beyond. The tables below outline sensitivities on implied yields for the selected CIH securities, assuming an exit at the end of 2009 and 2010 and employing varying assumptions for purchase price and exit multiples.

### Sensitivity on Implied Yields Assuming Exit in 2009

 = Denotes sensitivity at current price

Security Purchase Price	13.50% CIH Notes Due Jan 2014 * Current Price of 74.0			11.75% CIH Notes Due May 2014 * Current Price of 67.0			9.92% CIH Notes Due April 2014 * Current Price of 63.0		
	Trailing / Forward Exit Multiple			Trailing / Forward Exit Multiple			Trailing / Forward Exit Multiple		
	7.00x	7.25x	7.50x	7.00x	7.25x	7.50x	7.00x	7.25x	7.50x
	6.37x	6.60x	6.83x	6.37x	6.60x	6.83x	6.37x	6.60x	6.83x
Current Price	Implied Recovery (% of Face)			Implied Recovery (% of Face)			Implied Recovery (% of Face)		
	49%	75%	100%	49%	75%	100%	49%	75%	100%
60.0	15.4%	34.8%	50.4%	12.0%	31.6%	47.2%	8.7%	28.4%	44.2%
62.5	12.8%	31.8%	47.0%	9.5%	28.7%	44.0%	6.3%	25.7%	41.1%
65.0	10.3%	28.9%	43.9%	7.1%	26.0%	41.0%	4.0%	23.0%	38.2%
67.5	7.9%	26.3%	41.0%	4.9%	23.4%	38.2%	1.9%	20.6%	35.4%
70.0	5.7%	23.7%	38.2%	2.8%	21.0%	35.5%	(0.1%)	18.2%	32.9%
72.5	3.7%	21.4%	35.6%	0.8%	18.7%	33.0%	(2.0%)	16.0%	30.4%
75.0	1.7%	19.1%	33.1%	(1.0%)	16.5%	30.6%	(3.8%)	14.0%	28.1%
77.5	(0.1%)	17.0%	30.7%	(2.8%)	14.5%	28.3%	(5.5%)	12.0%	25.9%
80.0	(1.9%)	15.0%	28.5%	(4.5%)	12.5%	26.1%	(7.1%)	10.1%	23.8%

### Sensitivity on Implied Yields Assuming Exit in 2010

 = Denotes sensitivity at current price

Security Purchase Price	13.50% CIH Notes Due Jan 2014 * Current Price of 74.0			11.75% CIH Notes Due May 2014 * Current Price of 67.0			9.92% CIH Notes Due April 2014 * Current Price of 63.0		
	Trailing / Forward Exit Multiple			Trailing / Forward Exit Multiple			Trailing / Forward Exit Multiple		
	7.00x	7.25x	7.50x	7.00x	7.25x	7.50x	7.00x	7.25x	7.50x
	6.57x	6.80x	7.04x	6.57x	6.80x	7.04x	6.57x	6.80x	7.04x
Current Price	Implied Recovery (% of Face)			Implied Recovery (% of Face)			Implied Recovery (% of Face)		
	100%	100%	100%	100%	100%	100%	100%	100%	100%
60.0	39.4%	39.4%	39.4%	36.4%	36.4%	36.4%	33.5%	33.5%	33.5%
62.5	37.1%	37.1%	37.1%	34.2%	34.2%	34.2%	31.4%	31.4%	31.4%
65.0	35.0%	35.0%	35.0%	32.2%	32.2%	32.2%	29.5%	29.5%	29.5%
67.5	32.9%	32.9%	32.9%	30.3%	30.3%	30.3%	27.6%	27.6%	27.6%
70.0	31.0%	31.0%	31.0%	28.4%	28.4%	28.4%	25.9%	25.9%	25.9%
72.5	29.2%	29.2%	29.2%	26.7%	26.7%	26.7%	24.2%	24.2%	24.2%
75.0	27.5%	27.5%	27.5%	25.0%	25.0%	25.0%	22.6%	22.6%	22.6%
77.5	25.8%	25.8%	25.8%	23.5%	23.5%	23.5%	21.1%	21.1%	21.1%
80.0	24.3%	24.3%	24.3%	22.0%	22.0%	22.0%	19.7%	19.7%	19.7%

The tables below outline implied yields on the selected CIH notes at various exit prices and hold periods, assuming the current trading price at entry. In all cases, at least a 20% return can be achieved assuming 75% recovery is realized on the notes. In order to achieve returns in excess of 30%, recovery rates would need to be 85-90 under a 2-year hold period and 95-100 under a 3-year hold period.

### Sensitivity on Implied Yields Assuming Various Exit Prices

Exit Price	13.50% CIH Notes Due Jan 2014 * Assuming 74.0 Purchase Price			11.75% CIH Notes Due May 2014 * Assuming 67.0 Purchase Price			9.92% CIH Notes Due April 2014 * Assuming 63.0 Purchase Price		
	Hold Period			Hold Period			Hold Period		
	2 Years	3 Years	4 Years	2 Years	3 Years	4 Years	2 Years	3 Years	4 Years
75.0	19.8%	19.5%	19.4%	23.9%	21.7%	20.6%	25.2%	21.8%	20.1%
80.0	22.9%	21.4%	20.7%	27.2%	23.7%	22.0%	28.7%	23.8%	21.5%
85.0	26.0%	23.3%	21.9%	30.4%	25.6%	23.3%	32.1%	25.8%	22.9%
90.0	29.0%	25.0%	23.1%	33.6%	27.5%	24.5%	35.3%	27.8%	24.2%
95.0	31.9%	26.8%	24.3%	36.7%	29.3%	25.8%	38.5%	29.7%	25.5%
100.0	34.8%	28.4%	25.4%	39.7%	31.0%	27.0%	41.7%	31.5%	26.7%

## VII. Transaction Opportunity

A take-private transaction, at \$2.50 for each share, represents a 93.8% premium on the current share price of \$1.29, or 10.1x FY '07E EBITDA, 9.1x FY '08E EBITDA, 13.4x FY '07E EBITDA-Maintenance Capex, and ~\$4,100 per FY '07E basic sub. At a \$2.50 purchase price, the transaction represents \$21.9 billion of TEV, comprised of (i) \$1.9 billion of equity value, (ii) \$19.8 billion of net debt/preferred, (iii) \$196 million of rolled minority interest and (iv) \$25 million of fees and expenses (\$10 million UBS M&A fee, \$10.0 million Apollo transaction deal fee, \$5 million other fees). The critical financing assumption we are making is that we can structure the transaction in a manner that avoids a change of control and enables the existing debt to remain in place post-closing. Assuming, we roll 100% of the existing debt, the transaction would require \$1.9 billion of equity, of which we have assumed that Paul rolls his existing stake, which equates to \$931 million, and Apollo invests \$968 million to retire the public shares and garner a 51% primary economic interest in Charter. Since the change of control limitations under the indentures require Paul to maintain greater voting control than a third party acquirer, we are unlikely to accrue voting control that is commensurate with our economic interest. We are working with Akin Gump, our corporate legal adviser to develop mechanisms to provide Apollo with the requisite levels of rights/controls. The table below represents the sources and uses for a take-private transaction assuming a \$2.50 purchase price per share, rollover of 100% of the existing debt, redemption of the public shares by Apollo.

Sources of Funds	\$ Amount	Cum Mult FY '07E EBITDA	% of Total Cap	Uses of Funds	\$ Amount	% of Total Cap
Rollover Existing Net Debt	\$19,795.0	9.1x	90.4%	Equity Value	\$1,874.6	8.6%
Rollover Existing Preferred	5.0	9.1x	0.0%	Net Debt/Preferred	19,800.0	90.4%
Minority Interest	196.0	9.2x	0.9%	Minority Interest	196.0	0.9%
Paul Allen Rollover	931.4	9.6x	4.3%	Fees	25.0	0.1%
Sponsor Equity	968.2	10.1x	4.4%			
<b>Total Sources</b>	<b>\$21,895.6</b>	<b>10.1x</b>	<b>100.0%</b>	<b>Total Uses</b>	<b>\$21,895.6</b>	<b>100.0%</b>

The team has worked to develop a granular view of the long-term operating growth for Charter by service offering (the "Base Case"). The assumptions underlying our model, which is provided in **Appendix VI**, have been informed by the team's evaluation of public information and Wall Street research, as well as discussions with our advisers and industry executives. A detailed summary of the methodology we have employed to develop our projections is provided in **Appendix V**. Note, since we lack information on Charter's service offerings on a network by network basis, our model reflects a consolidated view of the Company. To the extent we are successful in progressing our discussions with Vulcan and Charter, we would expect to gain access to the proprietary operating information that we require to further buildup of our model by cluster. On a consolidated basis, we expect Charter to generate 8.1% and 8.7% FY '07-'12 CAGRs in revenue and EBITDA, respectively. The growth implied by the Base Case is generally consistent with the average of Wall Street research for Charter. Below is a summary of Charter's expected financial performance under the Base Case, including the corresponding FCF dynamics assuming we are able to step into the existing capital structure. As we have mentioned, given significant interest and capex requirements, the Company is currently a net consumer of cash. As the table below demonstrates, we expect Charter to generate cumulative losses of \$930 before generating positive free cash flow sometime during 2010. Aside from debt that matures by 2010, which we expect to be refinanced, the \$1.3 billion of current capacity under the revolver should be sufficient to cover all operating/capital requirements. However, Charter must maintain \$250 million of available liquidity under its revolver to pay principal payments on its debt (Charter has

~\$450 million of availability in 2010, the trough year in the Apollo base case). It is also important to highlight that although the FCF dynamics do not allow the Company to retire much debt over the projection period, strong growth in EBITDA significantly reduces the financial risk of the business, with net debt/EBITDA declining from 9.1x at the end of FY '07E to an estimated 6.1x by FY '12. The coverage ratios are also enhanced by FY '12 with an expected EBITDA/net cash interest ratio of 1.8x and a fixed charge coverage ratio of 1.1x.

### Charter FCF Profile - Apollo Base Case Projections

(\$ in millions)

	Actual FY '06	Budgeted FY '07	Projected FYE December 31,					CAGR '07-'12
			2008 1.0 Years	2009 2.0 Years	2010 3.0 Years	2011 4.0 Years	2012 5.0 Years	
Revenue	\$5,413.0	\$5,989.2	\$6,590.4	\$7,213.6	\$7,797.5	\$8,304.0	\$8,820.9	8.1%
% Growth		10.6%	10.0%	9.5%	8.1%	6.5%	6.2%	
Operating Expenses	3,525.0	3,813.3	4,191.7	4,559.7	4,881.7	5,196.7	5,513.9	7.7%
EBITDA	\$1,888.0	\$2,176.0	\$2,398.6	\$2,653.9	\$2,915.7	\$3,107.3	\$3,307.0	8.7%
% Margin	34.9%	36.3%	36.4%	36.8%	37.4%	37.4%	37.5%	
% Growth		15.3%	10.2%	10.6%	9.9%	6.6%	6.4%	
Capex	1,085.0	1,225.3	1,205.2	1,228.9	1,203.9	1,187.0	1,172.7	(0.9%)
Adj EBITDA-Capex	\$803.0	\$950.7	\$1,193.4	\$1,425.0	\$1,711.9	\$1,920.3	\$2,134.4	17.6%
% of EBITDA	42.5%	43.7%	49.8%	53.7%	58.7%	61.8%	64.5%	
EBITDA			\$2,398.6	\$2,653.9	\$2,915.7	\$3,107.3	\$3,307.0	
Less:								
Net Cash Interest			(1,827.7)	(1,856.0)	(1,885.3)	(1,890.4)	(1,876.5)	
Capex			(1,205.2)	(1,228.9)	(1,203.9)	(1,187.0)	(1,172.7)	
Cash Taxes			0.0	0.0	0.0	0.0	0.0	
Change in WC			111.0	106.0	90.9	92.0	92.4	
Other			0.0	0.0	0.0	0.0	0.0	
Cash Available for Debt Repayment			(\$523.3)	(\$325.0)	(\$82.5)	\$121.9	\$350.1	
Cum Cash Avail for Debt Repayment			(\$523.3)	(\$848.3)	(\$930.9)	(\$808.9)	(\$458.8)	
Net Debt + Preferred		\$19,800.0	\$20,332.8	\$20,662.9	\$20,745.4	\$20,623.5	\$20,273.4	
Bank Debt		\$6,615.0	\$7,138.3	\$7,777.9	\$7,894.4	\$8,053.5	\$7,778.4	
Cum % Bank Debt Paid Down			(7.9%)	(17.6%)	(19.3%)	(21.7%)	(17.6%)	
Net Debt + Preferred / EBITDA		9.1x	8.5x	7.8x	7.1x	6.6x	6.1x	
Bank Debt/EBITDA		3.0x	3.0x	2.9x	2.7x	2.6x	2.4x	
EBITDA/Net Cash Interest		1.2x	1.3x	1.4x	1.5x	1.6x	1.8x	
EBITDA-Capex/Net Cash Interest		0.5x	0.7x	0.8x	0.9x	1.0x	1.1x	

(1) Reflects debt balance pro-forma for \$0.0 billion of primary equity invested, which is assumed to retire bank debt at closing.

At a purchase price per share of \$2.50, the Base Case produces 4 and 5-year IRRs of 26.9% and 28.1%, or 2.6x and 3.5x our investment, respectively, assuming an 8.5x multiple of trailing EBITDA or 8.0x multiple of forward EBITDA at exit. The following tables present IRR and MOIC sensitivities under a range of purchase prices and exit multiples at the fourth and fifth anniversaries.

## Apollo Base Case Return Sensitivities

IRR - Year 4 (2011)						IRR - Year 5 (2012)					
Exit Multiple		Purchase Price / % Prem				Exit Multiple		Purchase Price / % Prem			
		\$2.00	\$2.50	\$3.00				\$2.00	\$2.50	\$3.00	
Trailing	Forward	55.0%	93.8%	132.6%		Trailing	Forward	55.0%	93.8%	132.6%	
8.00x	7.52x	24.6%	18.0%	12.8%		8.00x	7.53x	28.0%	22.5%	18.1%	
8.25x	7.75x	29.6%	22.7%	17.3%		8.25x	7.77x	31.1%	25.4%	21.0%	
8.50x	7.99x	34.1%	26.9%	21.3%		8.50x	8.00x	33.9%	28.1%	23.6%	
8.75x	8.22x	38.1%	30.7%	24.9%		8.75x	8.24x	36.5%	30.6%	26.0%	
9.00x	8.46x	41.8%	34.2%	28.3%		9.00x	8.47x	38.9%	32.9%	28.2%	

MOIC - Year 4 (2011)						MOIC - Year 5 (2012)					
Exit Multiple		Purchase Price / % Prem				Exit Multiple		Purchase Price / % Prem			
		\$2.00	\$2.50	\$3.00				\$2.00	\$2.50	\$3.00	
Trailing	Forward	55.0%	93.8%	132.6%		Trailing	Forward	55.0%	93.8%	132.6%	
8.00x	7.52x	2.4x	1.9x	1.6x		8.00x	7.53x	3.4x	2.8x	2.3x	
8.25x	7.75x	2.8x	2.3x	1.9x		8.25x	7.77x	3.9x	3.1x	2.6x	
8.50x	7.99x	3.2x	2.6x	2.2x		8.50x	8.00x	4.3x	3.5x	2.9x	
8.75x	8.22x	3.6x	2.9x	2.4x		8.75x	8.24x	4.7x	3.8x	3.2x	
9.00x	8.46x	4.1x	3.2x	2.7x		9.00x	8.47x	5.2x	4.2x	3.5x	

We have run a number of sensitivities on the Base Case returns based on certain outcomes that could reasonably occur. The following is a summary of the impact on Year 5 IRRs from changes in a few key variables.

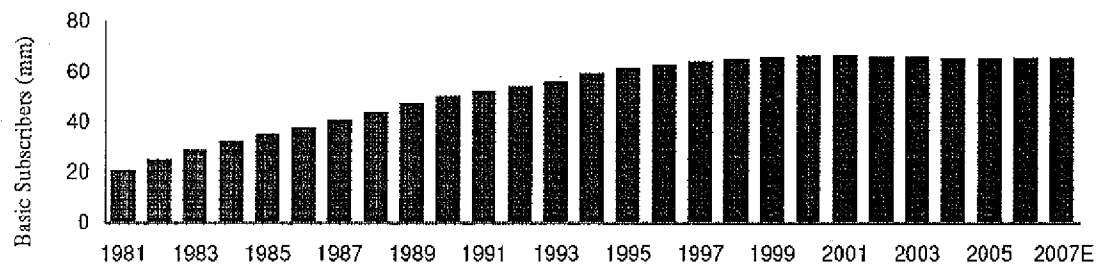
- Purchase Price - At a fixed level of debt, IRRs change by 240bps for each \$0.25 per share change in purchase price.
- Exit Multiple - Each 0.25x change in exit EBITDA multiple impacts IRRs by 270bps.
- Homes Passed Growth - Increasing our assumption for annual growth in homes passed from 0.5% to 0.75%, which is still below industry projections for household growth in Charter's markets, increases IRRs by 110bps.
- Basic Subscriber Penetration - Increasing our assumption for basic penetration of homes passed from 45.0% by FY '12 to 47.5% by FY '12, raises IRRs by 240bps.
- Data Penetration - Increasing our assumption for data penetration of data-ready homes passed from 38.0% by FY '12 to 40.0% by FY '12 raises IRRs by 240bps.
- Data ARPU - Modifying our assumption for annual growth in data ARPU from a 1% annual decline to 0.0% annual growth raises IRRs by 330bps.

## VIII. Industry Overview

### Basic Subscribers

Cable television providers serve approximately 65 million basic subscribers in the United States, making cable the dominant pay-TV platform with approximately 71% market share of total pay-TV subscribers.

## Cable Television Basic Subscribers: 1981 – 2007E



Source: NCTA

### Cable Infrastructure Expenditures

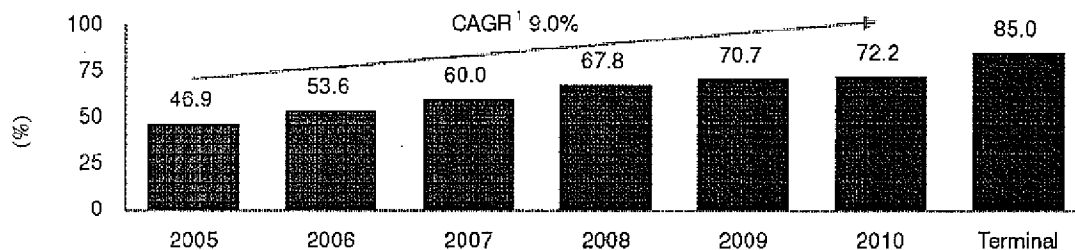
Since the late 1990s, cable operators have spent over \$100 billion to upgrade / rebuild their networks in an effort to increase bandwidth capacity up to 750MHz and 860MHz. With the majority of network construction complete, the major MSOs have shifted the focus of their capital investment to success based, customer premise equipment required for the deployment of new, advanced services.

Upgraded networks provide the MSOs with essentially “underused” platforms with surplus capacity, ensuring the long-term competitiveness of the cable industry. Time of the investment has also provided a valuable time-to-market advantage, allowing MSOs to offer extensive service differentiation, including, digital cable, high speed data, VOD, HDTV, DVR, and digital phone service, well ahead of competitors.

### Digital Cable

With digital cable, operators offer greater choice and quality than is possible with analog television. Digital technology compresses video signals to allow up to 12 channels to be carried in the bandwidth space (6Mhz) normally required for one analog channel. As the trend toward digital distribution continues, cable operators expect to transition to all digital platforms, allowing MSOs to offer subscribers an even wider array of advanced functionality while freeing up significant bandwidth used by less efficient analog channels.

### Digital Penetration of Basic Subscribers



Source: Wall Street research

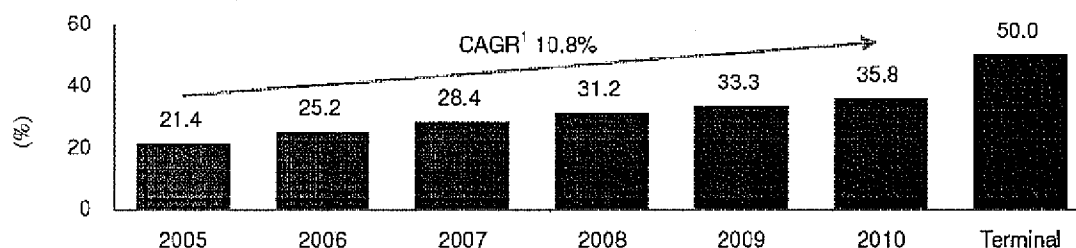
Note:

<sup>1</sup> CAGR represents 2005 to 2010 growth

### High Speed Data

Cable is the leading distribution platform for offering consumers high speed access to the Internet. Cable's superior bandwidth enables transmission speeds at up to 20 Mbps, significantly faster than those offered by dial-up and DSL competitors. Additionally, the network's two-way capability allows MSOs to distribute data services over the existing infrastructure, improving set up and ease of use for subscribers.

### **High Speed Data Penetration of Homes Passed**

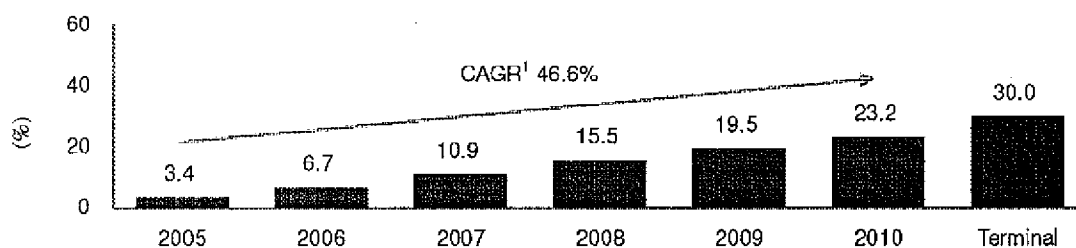


Source: Wall Street research

### Telephony Service and VoIP

Voice over IP technology, or VoIP, uses packet-switched network architecture as the backbone to provide telephone service. Voice information is transferred digitally to avoid traditional circuit-committed protocols, reducing infrastructure and transport costs. As a result, cable operators are able to offer telephone service at discounted prices, creating a strong subscriber value proposition for double-play and triple-play bundled offerings.

### **Telephony Penetration of Homes Passed**



Source: Wall Street research

Note:






1 CAGR represents 2005 to 2010 growth

### Cable MSO Landscape

At year-end 2006, the NCTA estimated that there were 7,090 cable systems operating in the US. At a local level, these operators obtain franchises which grant them exclusive access to serve distinct communities or governmental entities. As a result, traditional cable companies do not typically compete with other cable companies, except in limited areas where a community has provided a license to an overbuilder (ex: RCN, WideOpenWest, Knology) to offer an alternative service.

Approximately 94% of total US basic cable subscribers are held by the top 25 largest MSOs and 82% are held by the top 10 operators. The public cable operators (Charter, Comcast, Time Warner Cable, Cablevision and Mediacom) represent five of the largest MSOs. The majority of the remaining operators are privately held by families, private equity operators or as subsidiaries of larger organizations.

#### Large MSO Summary Statistics (LTM)

(mm)	 Charter	 Comcast	 TIME WARNER CABLE	 CABLEVISION	 Mediacom	Public MSO Average
Homes Passed	11,837	48,250	26,482	4,647	2,839	18,811
Basic Subs	5,348	24,156	13,308	3,122	1,331	9,453
% of Homes Passed	45.2	50.1	50.3	67.2	46.9	51.9
Digital Subs	2,883	14,669	7,860	2,585	541	5,708
% of Basic Subs	53.9	60.7	59.1	82.8	40.6	59.4
Data Subs	2,639	12,888	7,412	2,220	636	5,159
% of Homes Passed	22.3	26.7	28.0	47.8	22.4	28.4
Telephony Subs	803	3,774	2,610	1,490	165	1,768
% of Homes Passed	6.8	7.8	9.9	32.1	5.8	12.4
RGUs	11,673	55,487	31,190	9,417	2,673	22,088
LQA Revenue	6,104	29,676	16,004	4,718	1,313	11,563
ARPU	\$94.28	\$102.43	\$99.78	\$126.15	\$80.31	\$100.69
LQA EBITDA	2,044	11,932	5,712	1,786	467	4,388
EBITDA Margin (%)	33.5	40.2	35.7	37.9	35.6	36.8
07E-10E Revenue Growth (%)	9.2	10.0	8.4	5.6	7.0	8.0
07E-10E EBITDA Growth (%)	10.2	11.5	11.6	5.8	7.3	9.3

#### Competition

The multi-channel pay-TV market in the US is competitive as consumers have a growing choice of service providers. Historically, cable operators have competed with DBS operators in the video market, local telephone companies in the data market and, in limited areas, cable overbuilders across the product suite. Within the last two years, AT&T and Verizon, have begun to expand their service offering, introducing video and higher speed data services through the rollout of a new, fiber-based network. Additionally, in select markets, new technologies, including IP Video, multipoint microwave video, digital terrestrial television, and mobile video services, have begun to enter the pay-TV landscape.



#### DBS

The DBS operators, DirecTV and EchoStar, use owned and leased satellite capacity to transmit video signals to subscribers nationwide. Beginning in November 1999, DBS companies have been allowed to retransmit local broadcast programming, increasing the relevance of satellite-based service to pay-TV viewers. Since that time, the DBS operators have used popular national marketing campaigns, premium sports content and a leading package of HDTV channels to compete for video subscribers with the MSOs.

One of the key advantages of cable providers relative to DBS is the network capability to offer video, data and telephony services concurrently over the same infrastructure. While satellite has a robust video platform, its technology is restricted to one-way transmission, thus DBS providers are structurally unable to deliver an integrated triple play solution.

DirecTV and EchoStar have partnered with local telephony providers (typically the RBOCs) in an effort to replicate cable bundles by coupling their standard video service with a DSL data / telephone line; however, this synthetic solution fails to provide the same ease of use for subscribers. Furthermore, the future of these partnerships is unclear as the RBOCs are launching competing video products within their network footprints.

#### DBS Summary Statistics (LTM)

(mm)			DBS Average
Basic Subs	16,556	13,695	15,126
LQA Revenue	15,540	11,177	13,358
ARPU	\$78.79	\$66.01	\$72.40
LQA EBITDA	3,664	2,963	3,313
EBITDA Margin (%)	23.6	26.5	24.6
07E-10E Revenue Growth (%)	9.9	9.6	9.8
07E-10E EBITDA Growth (%)	15.4	11.1	13.7

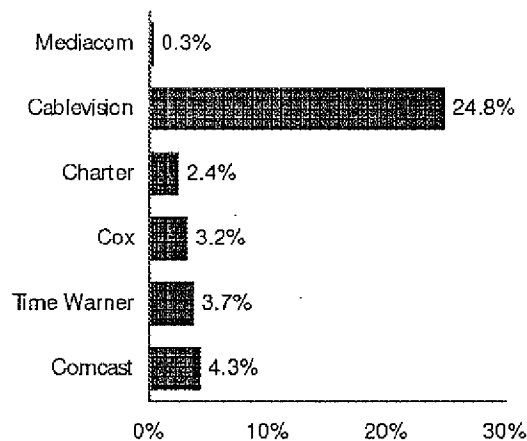
#### RBOCs

In the majority of their markets, RBOCs compete with the cable provider through a telephone / data bundle delivered over traditional copper lines. Utilizing DSL technology, the RBOCs achieve data speeds greater than dial-up and, in some markets, reach performance levels comparable to cable systems. However, in the cable industry's growing number of upgraded, triple-play ready markets, DSL-based infrastructure provides inferior bandwidth capacity, limiting the RBOCs ability to deliver a comparable offering.

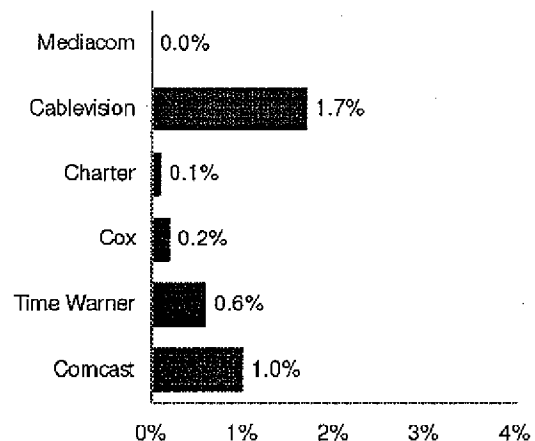
To improve their competitive position, AT&T and Verizon have launched strategies to increase network bandwidth through deployment of fiber closer to the subscriber. Verizon's advanced product offering, named FiOS, utilizes a capital intensive network architecture to connect fiber optic cable directly to subscriber homes. The FiOS service bundle, including over 200 channels of digital video, data at speeds up to 20 Mbps and unlimited local and long distance telephone, is comparable to advanced cable offerings, creating the cable industry's first, fully-integrated competitor in markets where service is available. Since the product launch in 4Q 2005, Verizon has signed up approximately 1.3 million new and existing customers to FiOS Internet and has added over 717,000 FiOS TV subscribers. FiOS is currently available to 4.7 million households with a targeted expansion to 18.0 million homes by 2011.

AT&T's advanced product offering, named U-Verse, utilizes a scaled back network architecture that connects fiber to nodes within 300 feet of customer homes and then utilizes traditional copper wire infrastructure to reach the premise. Unlike Verizon's FiOS service, U-Verse experienced significant difficulty early in its development, including slow channel changing, scalability problems and video compression / bandwidth issues. AT&T has begun to resolve these problems in 2007, introducing a triple play offering consisting of 320 digital video channels, data at speeds up to 6 Mbps and unlimited local and long distance telephone. AT&T has accelerated roll out of U-Verse in the second half of 2007, but U-Verse continues to lag advanced cable offerings, which has led to rumors that AT&T may pursue an acquisition of a DBS provider to supplement its video strategy.

**Estimated FiOS Overlap By Operator**



**Estimated U-Verse Overlap By Operator**



Source: Wall Street research

### Regulatory Environment

Throughout his term as FCC Chairman, Kevin Martin has discussed potential policies to improve pricing and choice within cable television. He has specifically championed a number of issues, which have recently met with considerable resistance within the FCC, across a number of consumer groups and with Congress. Although it appears that no major threatening regulation will be implemented in the near-term, a summary of the specific cable regulatory initiatives currently being proposed/discussed are as follows.

*Net Neutrality* – Potential legislation limits broadband providers' ability to adopt pricing models and network management policies that would differentiate or prioritize network usage based on different uses of the Internet. In September 2005, the FCC issued a non-binding policy statement regarding net neutrality stating that, subject to reasonable network management, consumers are entitled to access lawful Internet content and applications of their choice, connect lawful devices of their choosing, and have choice among networks. If the FCC enacted legislation, the FCC could limit operators' ability to manage their broadband facilities efficiently and make upgrades to those facilities sufficient to respond to growing bandwidth usage.

*Must Carry* – Federal law requires cable operators to carry the primary signal of broadcasters who elect to have their signal carried by cable systems in their primary coverage area. In September 2007, the FCC approved regulation that requires cable systems to carry both analog

and digital signals if the cable system uses both types of transmission. This regulation will end three years after the digital TV transition date (2/17/09) and applies only to stations not opting for retransmission consent.

*A La Carte* – Recent Federal interest may require cable operators to offer services on an a la carte basis, giving customers the option to order individually priced channels or bundled packages. Although most independent research has concluded that this mandate would hurt consumers by increasing prices, decreasing choice, and reducing diversity in programming, the FCC issued a revised report in February 2006 concluding that a la carte could be beneficial in some instances. The potential impact to MSOs would be significant to the extent they cannot cover the high fixed cost nature of their networks by passing on increases in pricing per channel to consumers.

*Retransmission Consent* – US television stations have an option to negotiate with operators for carriage of their broadcast programming. Stations may propose that operators pay cash or provide other consideration, with networks historically requesting further distribution of owned cable networks rather than direct cash compensation. In the first half of 2007, Sinclair, Univision, and Hearst reached new retransmission consent agreements with cable operators. Although terms of these agreements have not been disclosed publicly, it is widely believed that, for the first time, a cash component was included as compensation for digital and HDTV signals.

*CableCARDs* – The Telecommunications Act of 1996 mandated that cable companies allow independently provided devices, CableCARDs, to access their networks. Once authorized by an operator, CableCARDs plug into TVs and other equipment to allow customers to view one-way digital programming, eliminating the need for a set top box, but limiting certain interactive features like VOD and DVR. Mandated CableCARD legislation has the potential to complicate network security and functionality, currently managed exclusively by the operators, but it is not expected to be a significant driver of future capex.

*70 / 70 Rule* – A provision in the 1984 Cable Act mandated that if cable services are available to 70 percent of US households, and 70 percent of those households subscribe to the service, the Commission may enact “any additional rules necessary to provide diversity of information sources.” Under the 70 / 70 rule, plans could include reducing “lease access” payments that smaller television programmers pay large cable companies to use spare channels, forcing cable operators to offer access to additional independent programmers. It is uncertain, however, whether the FCC’s rulemaking authority would also apply to other areas the FCC has threatened, including cable ownership limits and a la carte.

*30% Cable Cap* – The FCC is contemplating re-instatement of a national ownership cap which would prevent any provider of video service from serving over 30 percent of US pay-TV subscribers (wired cable, satellite, and RBOCs). In 2001, after a challenge by Time Warner Inc and other media groups, the US Court of Appeals rejected the FCC’s limits on cable ownership, sending the matter back to the FCC for reconsideration. If re-instated, the ownership cap may force companies to refuse additional subscribers and M&A activity that would put them over the limit.

## IX. Company Overview

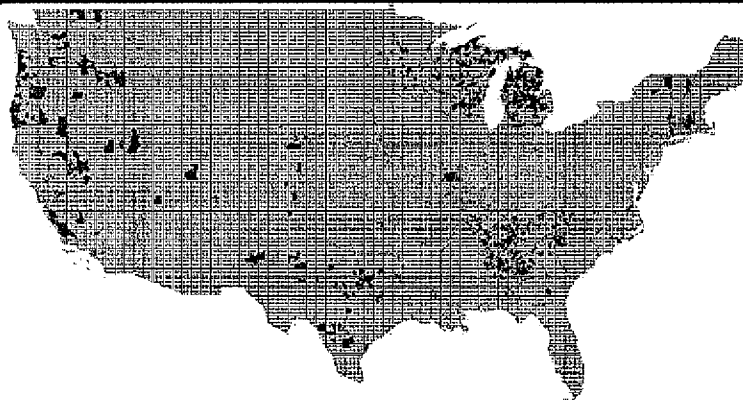
Headquartered in St. Louis, Missouri, Charter is the fourth largest multiple system operator in the US, with approximately 5.35 million basic video subscribers. The Company serves a diverse set of markets ranging from densely populated urban areas, including Los Angeles, California and Atlanta, Georgia to smaller communities, including Madison, Wisconsin and Greenville, North Carolina.

Through its upgraded, hybrid fiber and coaxial cable network, Charter offers its residential customers analog and digital video, high-speed data, advanced video services, such as HDTV, DVR and VOD, and, in many of its markets, telephone service. As of September 30, 2007, Charter's network passed over 11,837,000 homes, with an opportunity to grow product penetration across its system:

- 5,347,800 basic video subscribers (45.2% penetration of homes passed)
- 2,882,900 digital video subscribers (53.9% penetration of basic customers)
- 2,639,200 HSD subscribers (22.3% penetration of homes passed)
- 802,600 telephone subscribers (6.8% penetration of homes passed)
- 11,672,500 total RGUs, an average of 2.2 products per subscriber

To further increase utilization of its network, Charter also offers integrated communications solutions to commercial customers and sells television advertising spots to local businesses. These services in combination represent less than 11% of Charter's current revenue but are expected to become a larger portion of the Company's financial performance as it develops strategies to add functionality and reach new customers.

## Charter Coverage Area



Market	Subscribers	Market	Subscribers	Market	Subscribers
Southern California	420,600	Wisconsin	524,800	Alabama	337,600
North Central CA / NV	322,800	Minnesota / Nebraska	338,200	Georgia	283,500
Northwest	265,800	East Michigan	202,900	Louisiana	159,900
Texas	182,800	Northern Michigan	205,000	New England	354,200
<b>West Division</b>	<b>1,192,000</b>	West Michigan	198,200	South Carolina	539,200
		Central States	621,900	Tennessee	419,400
		<b>Central Division</b>	<b>2,091,000</b>	<b>East Division</b>	<b>2,093,800</b>

Note

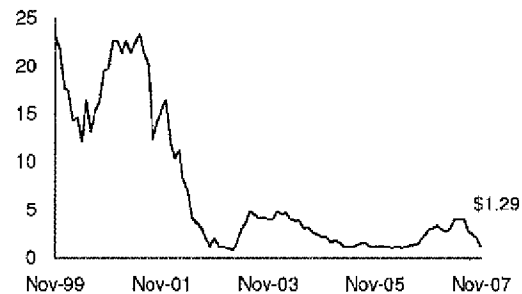
1 Cluster breakdown as of June 30, 2007

### Company History

Charter was originally formed in 1993 by cable entrepreneurs, Barry Babcock, Jerry Kent and Howard Wood, as a platform for consolidating US cable systems. In 1998, Paul Allen and his affiliates acquired a controlling stake in the Company and initiated a period of rapid growth through acquisitions. From 1998 to 2001, Charter spent approximately \$16.5 billion to acquire over 20 individual cable systems, expanding the Company's footprint from approximately 1 million basic subscribers at year-end 1998 to over 6.9 million by year-end 2001.

Since 2001, Charter has invested significant capital, financed primarily through debt, to upgrade its plant to deliver a full range of advanced video, high speed data and telephony services. The combination of its capital investment, interest expense from a high leverage position and general operating expenses has constrained Charter's free cash flow, leading to significant volatility in the Company's equity value. In an effort to de-risk the operations, Charter has implemented a series of financing transactions and non-core cable system sales over the last two years, providing balance sheet relief as well as improved network clustering and operating efficiency.

### Share Price History (\$)



### Subscriber and Financial Summary

	YE 2004	YE PF2005	YE PF2006	'04 - '06 CAGR	3Q06 LQA	3Q07 LQA	YOY Growth
<b>Operating Information</b>							
<b>(000s)</b>							
Homes Passed	12,085.9	11,485.2	11,686.0	(1.7%)	11,675.6	11,837.0	1.4%
Basic Subscribers	5,991.5	5,468.3	5,389.7	(5.2%)	5,442.3	5,347.8	(1.7%)
% Penetration of HP	49.6%	47.6%	46.1%		46.6%	45.2%	
Digital Subscribers	2,674.7	2,627.0	2,793.5	2.2%	2,753.7	2,882.9	4.7%
% Penetration of Basic Subs	44.6%	48.0%	51.8%		50.6%	53.9%	
HSD Subscribers	1,884.4	2,097.6	2,399.3	12.8%	2,342.9	2,639.2	12.6%
% Penetration of HP	15.6%	18.3%	20.5%		20.1%	22.3%	
Telephony Subscribers	45.4	136.0	445.8	213.4%	339.6	802.6	136.3%
% Penetration of HP	0.4%	2.5%	8.3%		2.9%	6.8%	
Total RGUs	10,596.0	10,328.9	11,028.3	2.0%	10,878.5	11,672.5	7.3%
<b>Financial Information</b>							
<b>(\$mm)</b>							
Revenue	4,929	4,924	5,413	4.8%	5,488	6,104	11.2%
EBITDA	1,905	1,794	1,868	(0.4%)	1,848	2,044	10.6%
% Margin	38.6%	36.4%	34.9%		33.7%	33.5%	
Total ARPU	70.50	75.04	83.09	8.6%	83.98	94.28	12.3%
EBITDA / Sub	321	313	348	4.1%	340	381	15.5%

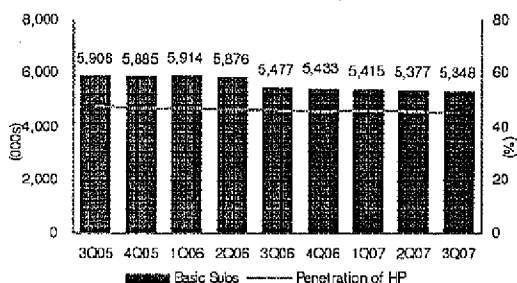
Note: 2005 and 2006 pro-forma results reflect the acquisition of cable systems in January 2006 and the sales of cable systems in 2005, 2006 and 2007 as if the transactions had occurred as of January 1, 2005.

### Products and Services

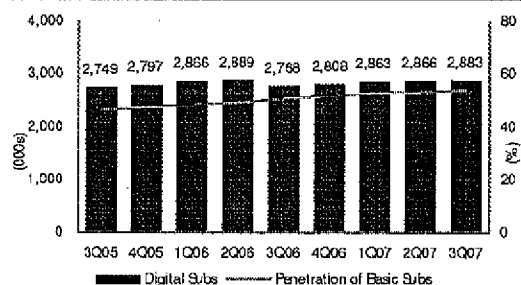
As of September 30, 2007, Charter served approximately 5,347,800 basic video subscribers across approximately 11,837,000 homes passed, representing penetration of 45.2%. All of the Company's video customers receive basic service, including 9 to 30 channels of local broadcast television and community programming as well as a limited package of satellite-delivered, or non-broadcast channels, such as weather, shopping and religious services. A significant majority of basic subscribers also subscribe to an expanded video service, including a package of an additional 20 to 60 satellite-delivered channels, such as ESPN, CNN, Discovery Channel and Lifetime.

As an upgrade to basic analog service, Charter offers digital video, which provides an expanded channel set, an interactive electronic channel guide and the opportunity to use a full range of free and subscription-based advanced video services, including VOD, DVR and HDTV. As of September 30, 2007, digital video services were available to virtually 100% of Charter's homes passed and the Company served approximately 2,882,900 customers, or 53.9% of basic video subscribers.

**Basic Sub Penetration** <sup>1, 2, 3</sup>



**Digital Sub Penetration** <sup>1, 2, 3</sup>



Source: Company filings

Notes:

- 1 Reflects actual reported subscriber levels at period end
- 2 Charter sold approximately 385,000 basic video subscribers to Orange Broadband and Cebirge Communications (now Suddenlink) in 3Q 2006
- 3 Charter acquired approximately 18,000 basic video subscribers from Seren Innovations in 1Q 2006

Both basic and digital subscribers have the opportunity to subscribe to a variety of premium content, providing original programming, commercial-free movies, sports and other special event entertainment. These channels, including HBO, Showtime and Cinemax, are available individually or as part of bundled tiers.

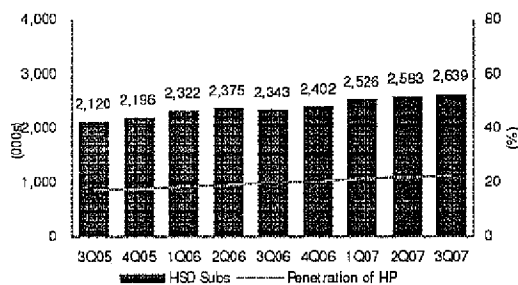
Charter also offers high-speed data services to residential customers via cable modem in approximately 93% of its homes passed, and, as of September 30, 2007, served approximately 2,639,200 customers, or 22.3% of total homes passed. The Company's data product delivers speeds ranging from 384 Kbps to 16 Mbps, depending on local network capacity and customer requirements, and includes access to the Charter.net internet portal, 20 MB of online storage space, and a suite of online security tools.

More recently, Charter launched voice communications services, including unlimited local and long distance, primarily using VoIP to transmit digital voice signals over its systems. As of September 30, 2007, telephony service was available to approximately 70.0% of homes passed,

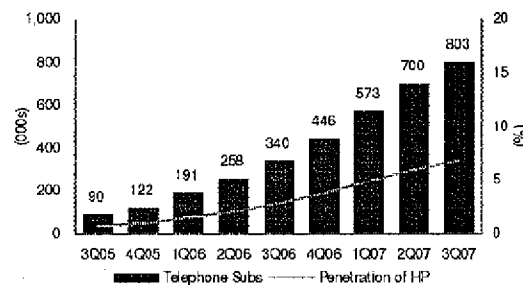
and the Company served approximately 802,600 customers, or 6.8% of homes passed. Over the next several years, Charter plans to expand this service to additional markets, increasing penetration across the majority of its footprint.

Charter offers each of these residential services on a standalone basis and as part of a bundled package of two or more services. Customers that take a bundled service receive improved pricing and increased convenience, which tends to increase customer loyalty. As of September 30, 2007, approximately 45.7% of basic customers subscribed to a double-play or triple-play bundle.

#### HSD Sub Penetration <sup>1, 2, 3</sup>



#### Telephony Sub Penetration <sup>1, 2, 3</sup>



Source: Company filings

Notes:

- 1 Reflects actual reported subscriber levels at period end
- 2 Charter sold approximately 385,000 basic video subscribers to Orange Broadband and Cebridge Communications (now Suddenlink) in 3Q 2006
- 3 Charter acquired approximately 18,000 basic video subscribers from Seren Innovations in 1Q 2006

#### System Network and Footprint

Charter employs a hybrid fiber coaxial cable architecture, delivering its signal via fiber optic cable from the headend to a group of nodes and using coaxial cable to deliver the signal from individual nodes to the

homes passed served by that node. The system design enables a maximum of 500 homes passed for each node, with the average node currently serving 385 homes. In addition, the network utilizes six strands of fiber to each node, with only two strands activated, providing reserve capacity for future, higher bandwidth services.

Approximately 93% of homes passed are served by systems that have bandwidth of 550 MHz or greater. This bandwidth capacity enables Charter to offer digital television, high speed data, telephone and advanced video services with clear signal quality and high service reliability.

Charter's footprint overlaps with each of the major RBOCs (AT&T – 48%, Verizon – 36% and Qwest – 6%), although only an estimated 2.5% of its network competes with Verizon's and AT&T's advanced service offerings, FiOS and U-Verse. Charter is also subject to cable

#### Current Network Statistics

Homes Passed	11,837,000
Total Plant Miles <sup>1</sup>	255,800
# of Headends <sup>1</sup>	393
Homes Per Node <sup>1</sup>	385
% of HP Upgraded >= 550 MHz <sup>1</sup>	93%
% of HP Upgraded >= 750 MHz <sup>1</sup>	88%
% of Homes Passed Triple Play Enabled	70%

Note:

<sup>1</sup> As of December 31, 2006

overbuild competition from Knology on a limited basis (approximately 25,000 subscribers) within Westpoint, Georgia and Columbus, Georgia.

#### Management Team

Charter's management team includes a combination of cable industry veterans and cross-industry marketing, operations and restructuring leaders:

*Paul G. Allen (Chairman)* – Paul G. Allen has been Chairman of the Board of Directors of Charter since purchasing Charter in December 1998. Co-founder of Microsoft, Mr. Allen served as Microsoft's Executive Vice President of Research and New Product Development, overseeing the development of its most successful products. He left Microsoft in 1983, moving on to develop other software applications, later forming Vulcan Inc. to create and invest in new initiatives.

*Neil Smit (President and CEO)* – Neil Smit joined Charter in August 2005 as President, CEO and Director. Mr. Smit has more than 20 years experience working with multi-service providers and leading consumer brands. Prior to joining Charter, Mr. Smit worked at Time Warner, Inc. most recently serving as President of the America Online Access business, overseeing Internet access services, CompuServe, and the Netscape ISP. He also served at AOL as EVP, Member Development; EVP, Member Services; SVP of AOL's product and programming team; COO of AOL Local; and COO of MapQuest. Mr. Smit serves on the boards of the National Cable and Telecommunications Association, CableLabs and C-SPAN.

*Michael J. Lovett (EVP and COO)* – Mike Lovett was promoted to EVP of Operations and Customer Care in September 2004, and to his current position in April 2005. He joined Charter in August 2003 as SVP of Operations Support, providing strategic and tactical support to field operations to ensure cross-functional alignment of all elements of the Company. Prior to Charter, Mr. Lovett had a long career in cable television, beginning in 1980 with Centel Communications followed by roles at Jones Intercable and AT&T Broadband.

*Jeffrey T. Fisher (EVP and CFO)* – JT Fisher joined Charter in February 2006 as EVP and CFO with overall responsibility for managing Charter's financial and accounting matters. Mr. Fisher brings over 20 years' experience in executive positions in finance, operations, and commercial capacities. Mr. Fisher joined Charter from Delta Air Lines where he was an SVP, overseeing the company's Corporate Restructuring Group. Prior to that role, Mr. Fisher was President and GM of Delta Connection, Inc.

*Marwan Fawaz (CTO)* – Marwan Fawaz joined Charter in March of 2006 as CTO and has more than 20 years of experience in the broadband communications industry encompassing engineering, technical operations and business development. He most recently served as SVP and CTO of Adelphia Communications, where he was responsible for the company's technology development and deployment.

*Robert A. Quigley (CMO)* – Prior to joining Charter in 2005, Mr. Quigley was President and CEO at Quigley Consulting Group, LLC, a private consulting group, and before that, EVP of Sales and Marketing at Cardean Education Group (formerly UNext.com LLC), a private online education company. Mr. Quigley has also served as EVP of America Online and COO of its Consumer Marketing division as well as President and CEO of Wordsquare Publishing Co.

*Eloise E. Schmitz (SVP, Strategic Planning)* – Eloise Schmitz manages Charter's capital formation activities, including equity and debt placements, as well as the Company's strategic acquisition and divestiture activities. Ms. Schmitz joined Charter in July 1998 as VP, Finance and Acquisitions. Altogether, she has more than 19 years of experience in corporate finance and strategic planning, including most recently as VP, Group Manager, of the Franchise and Communications Group for Mercantile Bank, now US Bank, in St. Louis.

#### Vulcan Capital Overview

Founded in 1986 by Paul Allen, Vulcan Capital invests in leveraged buyouts, acquisitions and distressed situations across a range of securities and sectors. The firm is not limited by traditional deal structures, asset classes or holding periods. As a result, Vulcan Capital has no defined constraints on investment horizon and transaction size, although the firm generally targets equity investments between \$50 and \$300 million.

Since April 1998, Paul Allen and Vulcan Capital, through its Vulcan Cable III subsidiary, have invested in Charter through a series of cash and ownership interest contributions. The total investment to date is estimated at over \$7.5 billion, of which a significant majority is held in membership units in Charter HoldCo. Since their initial investment in Charter, Paul Allen and Vulcan Capital have actively participated in the Company's strategic direction through three seats on its Board of Directors (currently held by Paul Allen, Lance Conn and Jo Allen Patton).

In July 2004, Lance Conn became President of Vulcan Capital, taking board seats at Charter, Vulcan Energy, Oxygen Media, Digeo, the Seattle Seahawks and the Portland Trailblazers, among others. Prior to joining Vulcan, Mr. Conn worked for America Online, where he served in various senior business and corporate development roles, including most recently as SVP of America Online US. Prior to joining America Online, Mr. Conn was an attorney with Shaw Pittman in Washington D.C.

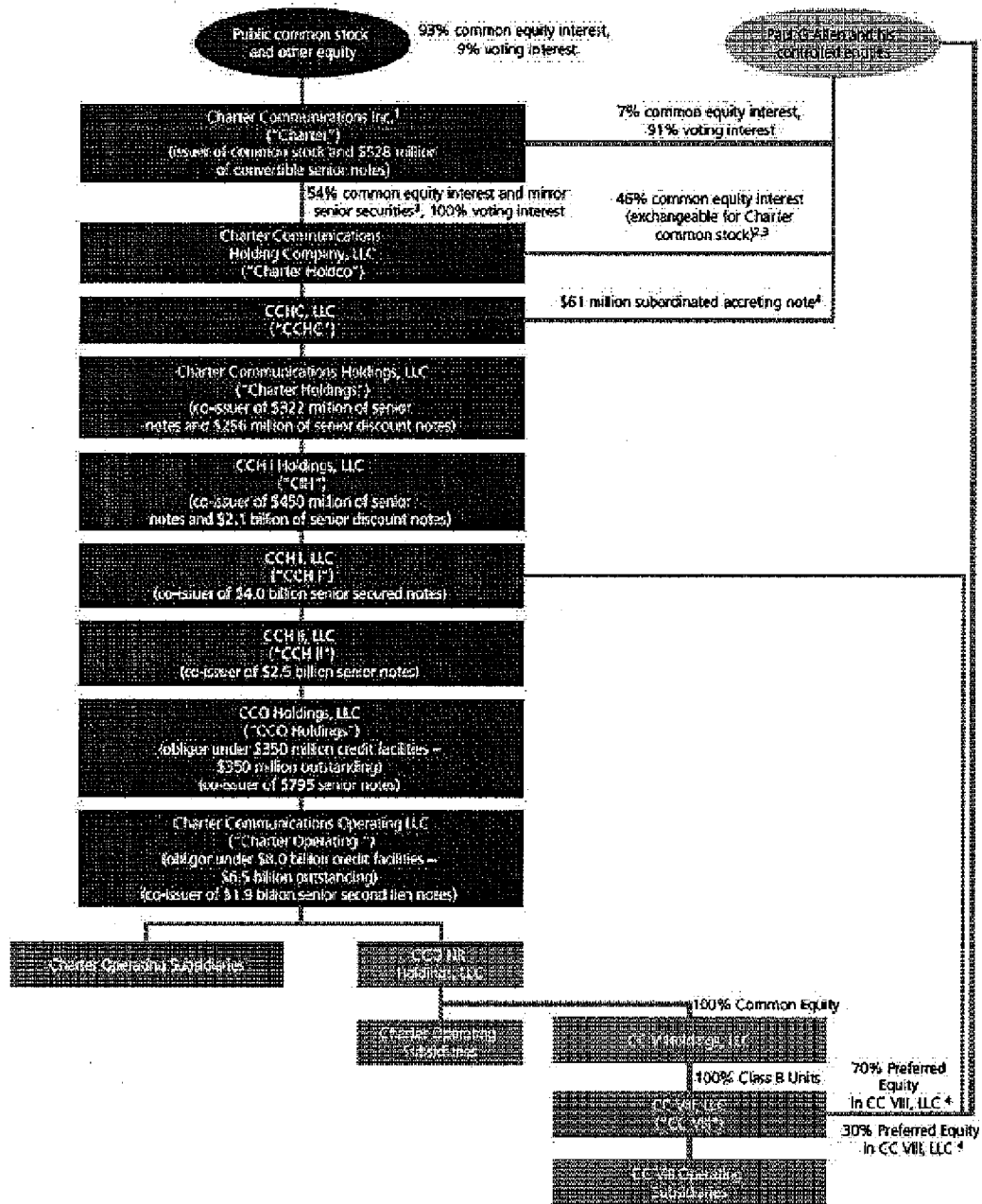
Gagik Apkarian joined the Vulcan Capital team in 2003 as Managing Director and Co-Head of the Media and Communications investment group. Mr. Apkarian has more than 12 years of experience in private equity, investment banking and management consulting, including roles at Bear Stearns, Morgan Stanley and McKinsey & Company. In partnership with Mr. Conn, Mr. Apkarian has taken lead responsibility of Vulcan Capital's investment in Charter Communications.

At the time Mr. Conn joined Vulcan Capital, Charter was trading between \$3.10 and \$3.85 per share. The details of Mr. Conn's and Mr. Apkarian's compensation plans are unknown, but they are believed to be tied to some extent with per share values relative to established benchmarks at the time they joined Vulcan Capital.

**Appendices**

- I. Corporate Organizational Structure
- II. Illustrative Transaction Structures
- III. Public Trading Comparables
- IV. Precedent Transactions
- V. Projected Financial Review
- VI. Operating Buildup
- VII. LBO Model

## Appendix I: Corporate Organizational Structure



### Notes:

- 1 Charter acts as the sole manager of Charter Holdco and its direct and indirect limited liability company subsidiaries, including CCHC.
- 2 Membership units are held by Charter Investment, Inc. ("CII") and Vulcan Cable III Inc. ("Vulcan Cable") each of which is 100% owned by Paul Allen, Charter's Chairman and controlling shareholder, they are exchangeable at any time on a one-for-one basis for shares of Charter Class B common stock, which in turn are exchangeable into Charter Class A common stock.
- 3 Percentages reflect the 29.8 million shares of Class A common stock outstanding as of June 30, 2007; however, for accounting purposes, Charter's common equity interest in Charter Holdco is 52.9%, and Paul Allen's ownership of Charter Holdco through CII and Vulcan Cable III Inc. is 48%, excluding the 29.8 million mirror membership units outstanding as of June 30, 2007.
- 4 Represents preferred membership interests in CC VIII, LLC, a subsidiary of CCO V Holdings, LLC, and an exchangeable accreting note issued by CCHC.

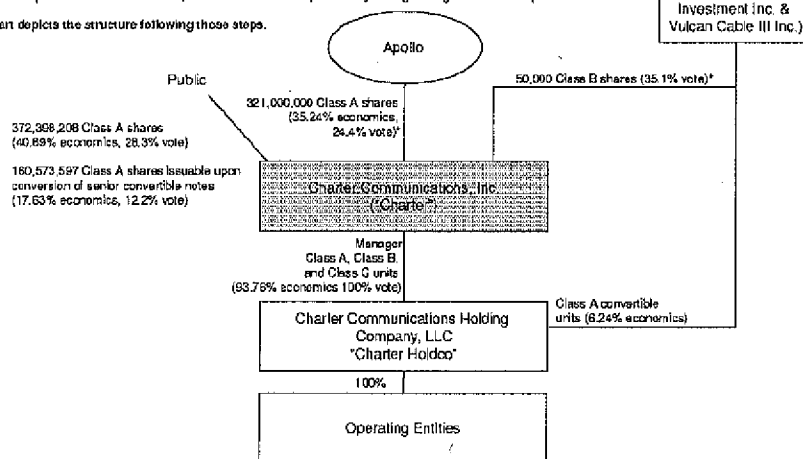
## Appendix II: Illustrative Transaction Structures

### Proposal A-1: Conversion and Sale

#### Steps

1. Paul Allen, through his controlled subsidiaries, exchanges all of his Class C convertible units and most of his Class A convertible units in Charter Holdco into shares of Charter such that he maintains more than 5% of Charter's economics through his continued interest in Class A convertible units and more than 35% voting power through his high-vote Class B shares of Charter (after taking into account his remaining Class A convertible units).
2. Apollo purchases approx. 328,000,000 Class A shares of Charter from Paul Allen. Paul Allen and affiliates may retain a portion of Class A shares, which will not be subject to any voting arrangements with Apollo.

This chart depicts the structure following those steps.



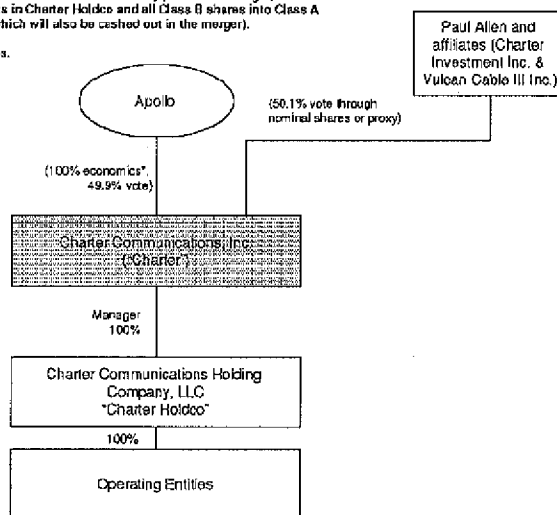
\*After taking into account Paul Allen's remaining Class A convertible units in Charter Holdco.

### Proposal A-2: Going Private Post-Conversion and Sale Transaction

#### Steps

1. Apollo forms a wholly-owned LLC ("Merger LLC"), which is capitalized (cash contributions from Apollo and debt from financing sources) with the amount necessary to purchase the public's shares.
2. Merger LLC merges into Charter in a reverse cash merger (with Charter as the surviving entity). As a result of the merger, the public receives cash for its Charter shares. Immediately prior to the merger, Paul Allen converts all remaining Class A convertible units in Charter Holdco and all Class B shares into Class A shares of Charter (all or almost entirely all of which will also be cashed out in the merger).

This chart depicts the structure following those steps.



\* This does not take into account the convertible notes which may be refinanced or cashed out.

## Appendix III: Public Trading Comparables

### Cable Public Equity Trading Comparables

11/29/2007	Stock Price	Equity Value (\$mm)	Enterprise Value (\$mm)	TEV / EBITDA (x)			TEV / Subscribers (\$)			TEV / EBITDA - Capex (x)		
				2006A	2007E	2008E	2006A	2007E	2008E	2006A	2007E	2008E
Comcast <sup>1</sup>	20.31	62,189	77,060	7.3	6.5	5.8	3,102	3,166	3,184	12.6	12.8	10.2
Cablevision <sup>2</sup>	26.85	7,955	12,888	7.9	7.1	6.6	4,121	4,128	4,188	15.3	11.0	9.8
Charter <sup>3,4</sup>	1.29	959	20,960	11.1	8.6	8.7	3,899	3,982	3,942	25.1	22.1	17.6
Mediacom	4.37	451	3,632	7.8	7.5	7.2	2,532	2,737	2,783	14.3	15.1	12.9
TWC <sup>5</sup>	25.88	25,283	40,215	7.9	7.0	6.2	3,601	3,029	3,051	17.0	17.1	12.7
MSO Average (excl. Charter)				7.7	7.1	6.4	3,236	3,283	3,287	14.6	14.0	11.4
Mean				8.4	7.5	6.9	3,368	3,405	3,425	17.1	15.5	12.6
Median				7.9	7.1	6.6	3,192	3,166	3,184	15.3	15.1	12.7
High				11.1	8.6	8.7	4,121	4,128	4,188	26.1	22.1	17.6
Low				7.3	6.5	5.8	2,632	2,737	2,783	12.6	11.0	9.8

Source: Public filings and Wall Street research

Notes:

1. Includes \$6,159mm adjustment for public equity stakes and other investments, including Spectrum/AqueductCo, includes \$7,373mm adjustment for pension assets, based on Wall Street research
2. Includes non-cable asset and other ownership adjustments of \$4,621mm based on research estimates
3. Includes \$479 million of convertible senior notes due in 2027, \$43.0 million of convertible senior notes due in 2021 and \$53.0 million of exchangeable senior notes
4. Assuming 30% margin, Charter trades at 8.2x 2007E EBITDA and 6.4x 2008E EBITDA
5. Excludes \$2,500mm adjustment for tax provisions, and includes \$733mm adjustment for Spectrum acquisition and other investments

### Cable Financial and Operating Performance

11/29/2007	'06-'08 Rev. Growth (%)	2007E EBITDA Margin (%)	2007E Penetration of Homes Passed (%)			Total Debt / EBITDA (x)		
			Video	HSD	VoIP	LTM	2007E	2008E
Comcast	11.9	40.1	50.2	27.5	9.8	2.7	2.6	2.3
Cablevision	9.2	38.3	67.0	48.9	33.5	5.9	5.6	5.2
Charter	10.3	36.3	45.0	24.4	7.0	9.7	9.1	8.3
Mediacom	7.0	35.6	45.6	23.2	6.6	6.7	6.9	6.3
Time Warner Cable	9.1	35.6	50.0	28.2	11.0	2.6	2.5	2.2
MSO Average (excl. Charter)			59.4	32.2	15.2	4.5	4.4	4.0
Mean			51.8	30.7	13.5	5.5	5.4	4.9
Median			50.0	27.6	9.6	5.9	5.6	5.2
High			67.0	48.9	33.5	9.7	9.1	8.3
Low			45.0	23.2	6.6	2.6	2.5	2.2

## Appendix IV: Precedent Transactions

### Recent Transaction Comparables

Date	Announced Buyer	Seller	Consideration	Price (\$mm)	Subs (000s)	LTM EBITDA (\$mm)	Price/Sub.	LTM EBITDA Multiple
<b>Greater than \$1bn</b>								
May-07	Dolan Family	Cablevision	Cash	17,487	3,127	1,629	\$5,592	10.7x
Nov-05	Cebridge Connections	Cox	Cash	2,550	940	255	\$2,712	10.0x
Jun-05	Dolan Family	Cablevision	Cash	13,600	2,985	1,248	\$4,556	10.9x
Apr-05	Time Warner & Comcast	Adelphia Communications Corp. <sup>(1)</sup>	Cash & Stock in TWC	17,600	5,017	1,354	\$3,700	13.0x
Dec-05	Carlyle Group, controlling shareholders	Insight Communications	Cash	2,255	1,272	451	\$3,544	10.0x
Aug-04	Cox Enterprises	Cox (Class A Shareholders)	Cash	23,984	6,317	2,241	\$3,797	10.7x
Aug-02	AOL Time Warner	AT&T Broadband	Cash, Stock, 21% TWC Stake	8,500	2,308	850	\$3,683	10.0x
<b>Less than \$1bn</b>								
Apr-07	Comcast	Patriot Media	Cash	493	81	47	\$6,067	10.5x
Jan-07	Knology	PrairieWave	Cash	255	64	34	\$3,984	7.5x
Aug-06	Astound Broadband	RCN	Cash	45	18	na	\$2,500	na
Aug-06	WideOpenWest	Sigacom	Cash	117	30	14	\$3,900	8.2x
Jul-06	Seaport Capital	Everest Global Technology Group	Cash	86	34	12	\$2,521	7.0x
Apr-06	Comcast	Susquehanna Communications <sup>(2)</sup>	Cash	775	226	73	\$3,427	10.6x
Apr-06	Cebridge	Charter Communications <sup>(3)</sup>	Cash	760	240	84	\$3,167	9.0x
Feb-06	Wave Division	Millennium Cable	Cash	175	70	na	\$2,500	na
Feb-06	New Wave	Charter Communications	Cash	152	76	na	\$2,000	na
Jan-06	Cox Communications	Cable America	Cash	121	35	na	\$3,457	na
Dec-05	Avista Capital Partners	WideOpenWest (WOW)	na	800	357	90	\$2,141	8.9x
Jun-05	MidOcean Partners and Crestview	Adelphia - Puerto Rico Assets	Cash	520	137	56	\$3,796	9.3x
Sep-03	Atlantic Broadband Finance / ASRY	Charter Communications	Cash	765	235	74	\$3,255	10.3x
Jul-03	Susquehanna Communications	RCN Corp.	Cash	120	30	11	\$4,027	10.5x
Feb-03	Advance/Newhouse & CEQUEL III	Shaw Communications	Cash	197	71	17	\$2,775	11.6x
Aug-02	Spectrum Equity & Steve Simmons	RCN Corp.	Cash	289	80	20	\$3,613	14.4x
Apr-02	Bresnan Communications	AT&T Broadband	Cash, Preferred & Common Equity Interests	675	317	59	\$2,132	11.4x
<b>LTM Average</b>							<b>\$5,215</b>	<b>9.6x</b>
<b>LTM Median</b>							<b>\$5,592</b>	<b>10.5x</b>
<b>Average</b>							<b>\$3,456</b>	<b>10.2x</b>
<b>Median</b>							<b>\$3,501</b>	<b>10.4x</b>

Source: Company filings, press releases, MergerMarket

Notes:

(1) Subscriber multiple adjusted to reflect joint ventures

(2) Adj. EBITDA excludes mgmt fee to Susquehanna Media; unadjusted EBITDA multiple is 11.3x

(3) Based on adjusted EBITDA of \$84mm

## Appendix V: Projected Financial Review

Relying solely on public information at this stage in the process, the team has developed a detailed set of projections for Charter. Over the past several months we have worked closely with UBS to refine each of the assumptions underlying the projections. We have benchmarked each of the key model drivers against (i) Wall Street research for Charter, (ii) Wall Street research for Charter's MSO and DBS peers and (iii) a set of assumptions underlying past MSO operating models that UBS has developed (e.g., Adelphia). Our assumptions were further supported by the team's analysis of the key historical and projected demographic trends across Charter's top 50 markets, including population growth, population density, GDP per capita, household growth and per capita income. Although our model reflects a consolidated view of Charter by key service, to the extent we proceed in the process, we would expect to segment out the assumptions by major geographic cluster. Our preliminary Base Case generates a FY '07-'12 revenue CAGR of 8.1% and EBITDA CAGR of 8.7%, which are in-line with Wall Street research for Charter. The table below outlines the major assumptions driving Apollo's revenue buildup for the Base Case, with a qualitative summary of the key assumptions following that.

### Charter Base Case Revenue Summary

(\$ in millions)

	FY December 31		CAGR	Base Case Logic
	2007E	2012E	'07-'12	
Basic % of Total	\$2,689.8 44.9%	\$3,427.2 38.9%	5.0%	* Assumes 0.5% CAGR in homes passed, 45.0% penetration of basic homes passed by FY '12 and 4.7% CAGR in basic ARPU (3.0% base ARPU growth plus an additional \$1.00, \$1.75 and \$1.00 retransmission ARPU per basic sub in FY '08, FY '09 and FY '10, respectively)
Digital % of Total	\$342.4 5.7%	\$398.4 4.5%	3.1%	* Assumes 99.0% digital homes passed as a % of basic homes passed by FY '12, 62.0% digital subs as a % of basic subs by FY '12 and 0.0% CAGR in digital ARPU
Premium % of Total	\$239.0 4.0%	\$308.0 3.5%	5.2%	* Assumes 50.0% premium subs as a % of basic subs in FY '07 increasing to 60.0% premium subs as a % of basic subs by FY '12 driven by digital growth and a 1.5% CAGR in premium ARPU
VOD % of Total	\$166.6 2.8%	\$277.8 3.1%	10.8%	* Assumes 100.0% VOD subs as a % of digital subs by FY '10, 1.0% CAGR in cost per video and -10.3% CAGR in monthly VOD buys per sub as VOD becomes available across all Charter digital ready homes by FY '10
HD % of Total	\$63.4 1.1%	\$210.4 2.4%	27.1%	* Assumes 50.0% HD subs as a % of digital subs by FY '12, -6.5% CAGR in HD Converter per HD Sub and 9.9% CAGR in HD Tier per HD Sub
DVR % of Total	\$82.2 1.4%	\$159.9 1.8%	14.2%	* Assumes 60.0% DVR subs as a % of digital subs by FY '12, -6.5% CAGR in DVR Converter per DVR Sub
<b>Total Video % of Total</b>	<b>\$3,583.4 59.8%</b>	<b>\$4,781.6 54.2%</b>	<b>5.9%</b>	
Data % of Total	\$1,207.8 20.2%	\$1,940.4 20.9%	8.8%	* Assumes 95.0% data homes passed as a % of basic homes passed by FY '12, 38.0% penetration of data homes passed by FY '12, -1.0% CAGR in data service ARPU and -1.0% CAGR in monthly modem rental ARPU
Telephony % of Total	\$290.8 4.9%	\$1,032.5 11.7%	28.8%	* Assumes 90.0% telephony homes passed as a % of basic homes passed by FY '12, 25.0% penetration of telephony homes passed by FY '12 and -2.0% CAGR in telephony ARPU
Advertising % of Total	\$331.8 5.5%	\$423.5 4.8%	5.0%	* Assumes 5.0% CAGR
Commercial % of Total	\$312.0 5.2%	\$426.3 4.9%	6.5%	* Assumes 6.5% CAGR
Other Revenue % of Total	\$262.5 4.4%	\$314.6 3.6%	3.7%	* Assumes 3.0% franchise fees as a % of video revenue (excl VOD, DVR, HD) and 3.0% CAGR in other revenues
<b>Total Non-Video % of Total</b>	<b>\$2,405.9 40.2%</b>	<b>\$4,039.2 45.8%</b>	<b>10.9%</b>	
<b>Consolidated Revenue</b>	<b>\$5,989.2</b>	<b>\$8,820.9</b>	<b>8.1%</b>	

### Subscribers:

- **Basic Subscribers** – We have assumed 0.5% annual growth in basic homes passed, which is below historical levels of homes passed growth for Charter and below the levels of growth in households across Charter's top 50 markets. We have employed a more conservative approach given our view of the challenges impacting the housing market and the

corresponding demand for cable services. We have kept penetration of basic homes passed constant at 45.0% throughout the projection period resulting in a 0.5% CAGR in basic subscribers over the projection period.

- Digital Subscribers – We have assumed that digital homes passed as percent of basic home passed stays constant at 99.0% through FY '12 as it will not make economic sense to upgrade all homes to become digital ready. The value added services that subscribers can experience under a digital platform drives growth in digital subscribers as a % of basic subscribers from 55% in FY '07 to 62% by FY '12, resulting in a 2.9% CAGR in digital subscribers over the projection period. This reflects the weighted average of 75% digital penetration for strong Charter markets and 50% digital penetration for weaker Charter markets.
- VOD/HD/DVR Subscribers - Charter is currently the only major cable MSO that cannot offer VOD service to all of its digital subscribers. We have assumed that Charter rolls out VOD across 100% of its digital ready homes by 2010. HD and DVR services have become major service differentiators for the MSOs. None of the operators are currently rolling out non-HD/DVR boxes to their subscribers. We have assumed that HD subscribers as a percentage of digital subscribers increase from 21.0% in FY '07 to 50.0% by FY '12 and that DVR subscribers as a percentage of digital subscribers increases from 32.5% in FY '07 to 60.0% in FY '12.
- Data Subscribers – We have assumed that data homes passed as percentage of basic homes passed increases modestly from 94.0% in FY '07 to 95.0% by FY '12. Data penetration lags basic penetration slightly as it is marginally more expensive to roll-out data service to homes. Penetration of data homes passed should increase from 26.0% in FY '07 to 38.0% by FY '12, resulting in an 8.7% CAGR in data subscribers over the projection period. Growth in data subscribers is disproportionately weighted in 2008 and 2009 as Charter should experience significant data subscriber additions due to its recent network updates. Cable providers have also taken back data share from DSL providers by offering a differentiated product with much faster internet connectivity (5-10 megs on average for cable providers versus 3 megs typically for non-FIOS/U-Verse Telco DSL providers).
- Telephony Subscribers – We expect telephony homes passed as a percentage of basic homes passed to increase from 70.0% in FY '07 to 90.0% in FY '12. Compared to its peers, Charter was slow to rollout telephony services across its footprint, driving outsized growth in telephony subscribers in the near-term. We expect telephony subscribers as a % of homes passed to increase from 10.0% in FY '07 to 25.0% in FY '12, resulting in a 26.9% CAGR in telephony subscribers over the projection period.
- Churn – Although churn is projected on a product-by-product basis, in aggregate, total monthly churn for Charter is projected to decline from 2.6% in FY '07 to 2.3% in FY '12 as Charter expands the number of bundled customers who subscribe to either double-play or triple-play service.

#### ARPU:

- Basic ARPU – We have projected basic ARPU to increase 3.0% per year as Charter continues to pass through inflation driven price increases to consumers. In addition to base ARPU growth, Charter and its MSO peers have realized increases in programming costs from renegotiated contracts with broadcasters, who have demanded retransmission consent

payments. We expect retransmission consent changes to increase basic programming expense by \$1.00, \$1.75 and \$1.00 per basic subscriber in 2007, 2008 and 2009, respectively. Due to a lag affect in passing the increase costs to subscribers, we expect Charter to realize an increase in ARPU per basic subscriber of \$1.00, \$1.75 and \$1.00 in 2008, 2009 and 2010, respectively.

- Digital ARPU – We expect digital ARPU to remain flat during the projection period as Charter continues to face competition in its low-tier digital service offering and it attempts to drive penetration of the service. Maintaining a flat ARPU is essentially offering a discount due to continuing inflation and price increases implemented by competing providers of video service.
- Data ARPU – We expect data ARPU to decrease by 1.0% per annum as the service continues to face competition from alternative players and Charter tries to drive penetration of data service.
- Telephony ARPU – We expect telephony ARPU to decrease at a rate of 2.0% per annum as Charter tries to attract higher levels of subscribers and drive penetration rates.

## **Appendix VI: Operating Buildup**

# Charter Operating Build-up - P&L Summary

(\$ in millions)

	Actual FYE Dec 31		Budgeted	Projected FYE December 31,					CAGR	
	2005	2006	FY '07	2008	2009	2010	2011	2012	'05-'07	'07-'12
<b>Video Revenue:</b>										
Basic	\$2,538.6	\$2,366.4	\$2,689.0	\$2,016.6	\$3,027.6	\$3,196.4	\$3,310.8	\$3,427.2	2.9%	5.0%
Digital	311.2	325.2	341.4	354.8	355.6	376.4	387.4	398.4	4.2%	3.1%
Premium	226.7	228.0	230.0	245.9	245.9	260.6	291.7	308.0	2.0%	5.2%
VOD	65.9	111.9	165.6	188.5	210.1	244.1	267.4	277.8	59.0%	10.8%
HD	3.3	20.4	62.4	100.6	125.6	153.6	182.1	219.4	325.3%	27.1%
ODR	31.3	35.0	62.2	110.5	121.9	135.3	148.0	159.9	170.2%	14.2%
Total Video Revenue	\$3,164.0	\$3,287.0	\$3,588.4	\$2,817.0	\$4,111.4	\$4,383.7	\$4,587.5	\$4,781.8	6.4%	8.9%
Data Revenue	5865.0	\$1,040.0	\$1,297.8	\$1,384.2	\$1,326.7	\$1,851.2	\$1,746.1	\$1,840.4	18.2%	8.8%
Telephony Revenue	\$42.0	\$136.0	\$290.0	\$440.4	\$576.7	\$771.1	\$973.2	\$1,031.5	163.1%	28.8%
Advertising Revenue	\$288.0	\$318.0	\$331.0	\$340.4	\$365.8	\$384.1	\$403.3	\$423.5	8.9%	5.0%
Commercial Revenue	\$257.0	\$298.0	\$312.9	\$328.5	\$345.0	\$362.2	\$389.4	\$428.3	10.3%	6.5%
<b>Other Revenue:</b>										
Franchise Fees	\$161.0	\$176.4	\$98.1	\$102.5	\$103.6	\$115.5	\$119.7	\$124.0	(21.9%)	4.8%
Other (e.g. Preceding)	155.0	159.6	164.4	169.3	174.4	179.6	185.0	190.6	2.0%	3.0%
Total Other Revenue	\$316.0	\$336.0	\$262.5	\$271.8	\$278.0	\$295.1	\$304.7	\$314.6	(8.9%)	3.7%
Total Revenue	\$4,924.0	\$5,413.0	\$5,888.2	\$6,556.4	\$7,213.6	\$7,789.8	\$8,304.0	\$8,828.9	10.3%	8.1%
% Growth		9.5%	10.8%	10.0%	9.5%	8.1%	6.5%	6.2%		
<b>Prog. Exp.:</b>										
Expend Basic/Premium	\$1,070.7	\$1,165.0	\$1,346.2	\$1,538.2	\$1,710.4	\$1,830.7	\$1,950.2	\$2,077.5	12.2%	9.0%
Digital/VOD/HD/ODR	251.1	398.0	360.7	433.8	449.3	499.6	552.7	600.2	19.3%	11.0%
Total Programming Expenses	\$1,324.0	\$1,463.0	\$1,708.9	\$1,942.0	\$2,159.7	\$2,330.3	\$2,502.9	\$2,683.8	13.6%	9.5%
Advertising Expense	\$93.0	\$107.0	\$112.4	\$121.9	\$128.0	\$134.4	\$141.2	\$148.2	9.0%	5.7%
<b>Service Costs:</b>										
Variable Data	\$40.1	\$56.1	\$65.0	\$73.9	\$80.5	\$84.6	\$87.7	\$90.6	16.0%	6.6%
Fixed Data	194.4	168.3	176.7	185.6	194.8	204.6	212.8	219.1	10.6%	4.4%
Total Data	\$192.5	\$224.4	\$242.5	\$259.5	\$274.3	\$289.2	\$300.4	\$309.7	12.2%	5.0%
Variable Telephony	\$1.1	\$18.2	\$39.7	\$60.7	\$80.4	\$101.5	\$124.2	\$140.3	257.2%	30.2%
Fixed Telephony	* 8.3	56.6	\$7.3	60.3	63.2	66.4	71.1	147.8%	4.6%	17.7%
Total Telephony	\$12.5	\$72.8	\$97.0	\$121.0	\$143.6	\$167.9	\$195.3	\$219.4	179.2%	17.7%
Other Service Costs	\$20.0	\$20.8	\$17.9	\$50.0	\$81.2	61.3	64.0	66.6	0.2%	4.7%
Total Service Costs	\$231.0	\$488.0	\$467.5	\$491.2	\$699.7	\$1,070.4	\$1,134.7	\$1,192.7	8.0%	6.6%
Total Direct Expenses	\$2,148.0	\$2,388.0	\$2,688.7	\$2,995.1	\$3,287.4	\$3,535.1	\$3,778.7	\$4,026.7	11.8%	8.4%
<b>G&amp;A:</b>										
Franchise Fees	\$161.0	\$176.4	\$98.1	\$102.5	\$103.6	\$115.5	\$119.7	\$124.0	(21.9%)	4.8%
Sales Dept Expense	150.1	155.4	163.2	171.3	179.9	188.9	198.3	206.3	4.3%	5.0%
Other G&A	\$20.9	\$27.2	\$60.6	\$69.5	\$76.1	\$82.4	\$88.5	\$94.5	11.4%	5.0%
Total G&A Expense	\$332.0	\$359.0	\$321.9	\$343.3	\$360.6	\$386.8	\$406.5	\$424.8	4.3%	5.0%
Marketing Expense	\$140.0	\$178.0	\$264.7	\$231.3	\$256.8	\$279.9	\$299.5	\$314.4	20.0%	9.0%
Other Expense	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	NM	NM
Total Operating Expenses	\$3,520.0	\$3,325.0	\$3,693.3	\$4,196.7	\$4,399.7	\$4,881.7	\$5,196.7	\$5,543.3	10.4%	7.7%
<b>EBITDA</b>										
EBITDA	\$1,794.0	\$1,888.0	\$2,176.0	\$2,398.6	\$2,693.9	\$2,915.7	\$3,107.3	\$3,307.8	10.1%	8.7%
% Margin	36.4%	34.9%	36.3%	36.4%	36.8%	37.4%	37.4%	37.5%		
% Growth		5.2%	15.3%	10.2%	10.0%	2.9%	6.6%	6.4%		

# Charter Operating Build-up - Subscriber Statistics

	Actual FYE Dec 31		Budgeted FY '07	Projected FYE December 31,					CAGR	
	2005	2006		2008	2009	2010	2011	2012	05-07	07-12
RGUs, EGY										
Basic	5,468,200	5,389,300	5,295,511	5,221,888	5,346,598	5,375,341	5,482,218	5,429,229	(1.6%)	0.5%
Digital	2,627,000	2,793,900	2,912,531	3,001,601	3,091,490	3,182,202	3,273,744	3,366,122	5.3%	2.9%
Data	2,097,500	2,399,300	2,876,051	3,230,802	3,590,455	3,842,055	4,097,042	4,355,448	17.1%	8.7%
Telephony	136,000	445,800	823,746	1,227,723	1,481,345	1,661,063	2,271,333	2,714,615	166.1%	26.9%
Total RGUs	10,328,900	11,028,300	11,907,839	12,692,115	13,513,888	14,260,661	15,044,337	15,865,414	7.4%	5.9%
RGUs Added		699,408	675,539	704,276	821,773	746,774	821,077			
RGUs Per Basic Sub	1.9	2.0	2.2	2.4	2.5	2.7	2.8	2.9		
Total RGUs, BOY	10,025,100	10,320,900	11,020,300	11,907,839	12,692,115	13,513,888	14,260,661	15,044,337	4.9%	6.4%
Gross RGUs Additions	3,466,226	3,947,320	4,328,891	4,412,492	4,591,682	4,655,879	4,803,978	4,952,276		
RGUs Disconnections	(3,167,426)	(3,248,120)	(3,449,352)	(3,528,216)	(3,789,889)	(3,910,103)	(4,020,302)	(4,121,191)		
Total RGUs, EOY	10,328,900	11,028,300	11,907,839	12,692,115	13,513,888	14,260,661	15,044,337	15,865,414	7.4%	5.9%
Monthly Churn	2.6%	2.6%	2.6%	2.5%	2.5%	2.4%	2.3%	2.3%		
Basic Cable:										
Basic Homes Passed % Growth	11,485,200	11,686,000	11,767,802	11,826,641	11,885,724	11,945,203	12,004,922	12,064,954	1.2%	0.5%
	1.7%		0.7%	0.5%	0.5%	0.5%	0.5%	0.5%		
Basic Subs, BOY	5,468,200	5,468,200	5,389,300	5,205,511	5,321,088	5,346,598	5,375,341	5,402,218	(0.7%)	0.0%
Gross Sub Additions	1,640,490	1,561,890	1,522,721	1,615,131	1,621,206	1,631,323	1,639,479	1,647,677		
Sub Disconnections	(1,640,490)	(1,640,490)	(1,615,910)	(1,588,551)	(1,595,522)	(1,604,580)	(1,612,502)	(1,620,655)		
Basic Subs, EOY	5,468,390	5,389,700	5,295,511	5,221,888	5,346,598	5,375,341	5,402,218	5,429,229	(1.6%)	0.5%
% Growth	(1.4%)	(1.4%)	(1.7%)	0.5%	0.5%	0.5%	0.5%	0.5%		
Average Basic Subs	5,480,300	5,429,000	5,342,605	5,300,750	5,335,293	5,361,970	5,386,780	5,415,724	(1.2%)	0.3%
% Growth Avg Basic Subs	(0.7%)	(0.7%)	(1.0%)	0.5%	0.5%	0.5%	0.5%	0.5%		
Penetration of HPs	47.6%	46.1%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%		
Monthly Churn	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%		
Weekly Gross Adds	31,540	30,636	28,263	31,200	31,210	31,372	31,228	31,662		
Digital Cable:										
Digital Homes Passed % Growth	11,302,700	11,550,500	11,650,124	11,709,375	11,766,916	11,825,751	11,884,680	11,944,204	3.5%	0.5%
	2.2%	0.9%	0.9%	0.5%	0.5%	0.5%	0.5%	0.5%		
Digital Subs, BOY	2,627,000	2,627,000	2,793,500	2,912,531	3,001,601	3,091,490	3,182,202	3,273,744	3.1%	3.2%
Gross Sub Additions	945,720	1,112,120	1,124,591	1,102,531	1,088,425	1,092,355	1,084,399	1,074,501		
Sub Disconnections	(945,720)	(945,720)	(1,005,660)	(1,013,561)	(1,005,538)	(1,001,543)	(992,847)	(982,123)		
Digital Subs, EOY	2,627,000	2,793,500	2,912,531	3,001,601	3,091,490	3,182,202	3,273,744	3,366,122	5.3%	2.9%
% Growth	6.3%	6.3%	4.3%	3.1%	3.0%	2.9%	2.9%	2.8%		
Average Digital Subs	2,627,000	2,710,250	2,851,915	2,937,066	3,044,546	3,136,846	3,227,973	3,319,933	4.2%	3.1%
% Growth Avg Digital Subs	3.2%	3.2%	5.3%	3.0%	3.0%	2.9%	2.9%	2.8%		
Penetration of HPs	23.2%	24.7%	25.0%	25.6%	26.8%	26.9%	27.5%	28.2%		
Penetration of Basic HPs	22.9%	23.5%	24.3%	25.4%	26.0%	26.5%	27.3%	27.9%		
Monthly Churn	3.0%	3.0%	3.0%	2.9%	2.9%	2.9%	2.8%	2.8%		
Digital Subs as a % of Basic	48.0%	51.8%	55.0%	56.9%	57.8%	59.2%	60.3%	61.0%		
Digital HPs as a % of Basic	28.4%	28.8%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%		
Weekly Gross Adds	28,187	21,389	21,829	21,204	21,124	21,007	20,854	20,663		
Premium Cable:										
Premium Subs, EOY % Growth	2,734,150	2,694,850	2,647,755	2,767,434	2,888,243	3,010,191	3,133,286	3,257,538	(1.6%)	4.2%
	(1.4%)	(1.4%)	(1.7%)	4.5%	4.2%	4.2%	4.1%	4.0%		
Average Premium Subs	2,734,150	2,714,500	2,671,309	2,707,595	2,827,839	2,945,217	3,071,730	3,195,417	(1.2%)	3.6%
% Growth Avg Premium Subs	(0.7%)	(0.7%)	(1.0%)	1.4%	4.4%	4.3%	4.2%	4.0%		
Penetration of Basic HPs	23.1%	23.1%	23.4%	23.4%	24.3%	25.2%	26.0%	27.0%		
Premium Subs as a % of Basic	50.0%	50.0%	50.0%	52.0%	54.0%	56.0%	58.0%	60.0%		

# Charter Operating Build-up - Subscriber Statistics

	Actual FYE Dec 31		Budgeted	Projected FYE December 31,					CAGR	
	2005	2006	FY '07	2006	2009	2010	2011	2012	05-07	07-12
Video-On-Demand ("VOD"):										
VOD Subscribers, EOY	394,050	656,750	977,725	1,456,265	1,951,041	2,473,192	3,102,202	3,273,744	57.5%	27.2%
Net Adds	262,700	320,678	478,540	494,775	577,151	709,010	91,547	92,378		
VOD Subscribers, EOY	656,750	977,725	1,456,265	1,951,041	1,473,192	3,182,102	3,273,744	3,366,122	48.8%	18.2%
% Growth		48.9%		29.8%	26.7%	26.7%	2.9%	2.8%		
Average VOD Subs	525,400	812,238	1,216,995	1,703,653	2,212,116	2,821,697	3,227,573	3,319,931	52.2%	22.2%
% Growth Avg VOD Subs		48.9%		40.0%	23.8%	22.8%	14.2%	2.8%		
VOD Ready Subs as a % of Digital Subs	25.0%	35.0%	50.0%	63.0%	80.0%	100.0%	100.0%	100.0%		
Weekly Net Adds	5,052	6,175	9,203	9,515	16,041	15,835	1,760	1,776		
HD/DVR:										
HD Subscribers, EOY	27,956	238,714	611,632	804,429	1,007,828	1,221,966	1,445,995	1,663,061	367.7%	22.4%
% Growth		752.6%		31.5%	25.1%	21.2%	15.1%	16.1%		
Average HD Subs	20,670	133,149	425,173	708,030	906,127	1,114,696	1,334,450	1,555,029	353.5%	20.8%
% Growth Avg HD Subs		545.1%		66.5%	28.0%	23.0%	19.7%	17.3%		
HD Subs as a % of Digital Subs	1.2%	8.5%	21.0%	36.8%	32.6%	39.4%	44.2%	50.0%		
DVR Subscribers, EOY	111,884	449,344	946,573	1,140,609	1,344,798	1,559,279	1,784,191	2,019,673	150.9%	16.4%
% Growth		301.7%		20.8%	17.0%	15.0%	14.4%	13.2%		
Average DVR Subs	82,079	280,604	697,358	1,043,591	1,242,707	1,452,039	1,671,735	1,901,932	190.5%	22.2%
% Growth Avg DVR Subs		239.4%		49.5%	19.1%	15.8%	13.1%	13.8%		
DVR Subs as a % of Digital Subs	4.3%	16.1%	32.5%	38.0%	42.5%	49.0%	54.6%	60.0%		
Data:										
Data Homes Passed	10,610,000	10,822,800	11,061,234	11,140,694	11,226,173	11,309,162	11,390,623	11,461,706	2.4%	0.7%
% Growth		2.0%		0.7%	0.7%	0.7%	0.7%	0.7%		
Data Subs, EOY	1,884,400	2,097,630	2,399,300	2,876,651	3,226,802	3,590,455	3,842,055	4,097,042	12.8%	11.3%
Gross Sub Additions	776,520	930,990	1,196,541	1,183,054	1,251,154	1,199,460	1,223,185	1,241,696		
Sub Disconnections	(565,320)	(629,180)	(719,790)	(628,302)	(691,701)	(647,880)	(658,195)	(683,290)		
Data Subs, EOY	2,097,630	2,399,300	2,876,651	3,226,802	3,590,455	3,842,055	4,097,042	4,395,448	17.1%	8.7%
% Growth		14.4%		10.8%	11.1%	7.0%	6.6%	6.7%		
Average Data Subs	1,991,000	2,248,450	2,637,675	3,033,426	3,410,628	3,715,255	3,969,519	4,226,215	15.1%	9.9%
% Growth Avg Data Subs		12.9%		15.8%	11.7%	9.0%	6.8%	6.5%		
Penetration of Data HPS	19.9%	22.2%	26.0%	29.0%	32.0%	34.0%	36.0%	36.0%		
Penetration of Basic HPS	18.3%	20.5%	24.8%	27.2%	30.2%	32.2%	34.1%	36.1%		
Monthly Churn	2.5%	2.5%	2.5%	2.4%	2.5%	2.7%	2.7%	2.7%		
Data Subs as a % of Basic HPS	30.4%	44.5%	60.2%	67.1%	74.5%	78.5%	78.0%	80.2%		
DOD HPS as a % of Basic HPS	91.8%	92.7%	94.0%	94.2%	94.4%	94.6%	94.6%	94.6%		
Weekly Gross Adds	11,972	17,503	23,010	22,751	24,065	21,667	23,523	23,879		
Telephony:										
Telephony Homes Passed	2,918,000	6,799,300	8,137,461	8,751,714	9,273,904	9,705,087	10,324,238	10,850,458	88.0%	5.7%
% Growth		131.0%		6.2%	5.7%	5.7%	5.4%	5.2%		
Telephony Subs, EOY	45,400	136,000	445,800	823,746	1,137,723	1,403,345	1,861,063	2,271,333	213.4%	38.5%
Gross Sub Additions	101,456	342,440	484,538	511,676	618,575	733,721	856,925	988,402		
Sub Disconnections	(10,880)	(15,640)	(108,732)	(187,930)	(280,852)	(328,023)	(406,233)	(517,069)		
Telephony Subs, EOY	136,000	445,800	823,746	1,137,723	1,488,345	1,861,063	2,271,333	2,714,615	146.1%	28.9%
% Growth		227.6%		38.1%	30.4%	25.5%	22.6%	19.5%		
Average Telephony Subs	90,700	290,600	634,773	980,735	1,310,534	1,672,704	2,066,198	2,492,074	162.5%	31.5%
% Growth Avg Telephony Subs		220.7%		54.5%	25.6%	27.6%	23.0%	20.7%		
Penetration of Telephony HPS	4.7%	6.6%	10.0%	13.0%	16.0%	19.0%	22.0%	25.0%		
Penetration of Basic HPS	1.2%	3.8%	7.0%	9.6%	11.5%	15.6%	19.9%	27.5%		
Monthly Churn	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%		
Telephony Subs as a % of Basic	2.5%	8.1%	15.6%	21.4%	27.7%	38.6%	42.0%	50.6%		
Telephony Subs as a % of Data	5.5%	18.6%	28.6%	35.2%	41.2%	49.4%	55.7%	62.3%		
Telephony HPS as a % of Basic HPS	25.6%	58.2%	70.0%	74.0%	78.0%	82.0%	85.0%	90.0%		
Weekly Gross Adds	1,952	8,513	9,125	9,440	11,858	14,110	16,479	19,098		

# Charter Operating Build-up - ARPU Statistics

	Actual FYE Dec 31		Budgeted	Projected FYE December 31					CAGR	
	2005	2006	FY '07	2008	2009	2010	2011	2012	'05-'07	'07-'12
<b>ARPU Summary:</b>										
Basic	\$30.69	\$39.39	\$41.95	\$44.21	\$47.23	\$49.71	\$51.20	\$52.74	4.1%	4.7%
Digital	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	0.0%	0.0%
Premium	7.00	7.00	7.46	7.57	7.68	7.80	7.91	8.03	3.2%	1.5%
VOD	10.45	11.41	11.41	9.22	7.91	7.19	5.30	6.97	4.5%	(3.4%)
HD	13.40	12.75	12.43	11.84	11.55	11.40	11.37	11.20	(4.0%)	(2.1%)
DVR	11.35	10.40	9.82	8.83	8.17	7.76	7.38	7.01	(7.0%)	(6.5%)
Data	36.20	38.55	38.18	37.78	37.40	37.03	36.66	36.29	2.7%	(1.0%)
Telephony	38.59	38.96	38.18	37.42	36.67	35.94	35.22	34.51	(0.5%)	(2.0%)
Total ARPU (Per Basic Sub)	\$75.04	\$83.09	\$83.42	\$103.45	\$112.67	\$121.18	\$128.41	\$135.73	11.6%	7.8%
<b>Basic/Digital/Premium:</b>										
Basic Total (With Retain)	\$38.69	\$39.39	\$41.95	\$44.21	\$47.29	\$49.71	\$51.20	\$52.74	4.1%	4.7%
Basic	38.69	39.39	41.95	43.21	45.54	48.71	51.20	52.74	4.1%	4.7%
Digital	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	0.0%	0.0%
Premium	7.00	7.00	7.46	7.57	7.68	7.80	7.91	8.03	3.2%	1.5%
<b>% Y-O-Y Growth:</b>										
Basic		1.8%	6.5%	3.0%	3.0%	3.0%	3.0%	3.0%		1.0%
Digital		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%
Premium		0.0%	6.5%	1.5%	1.5%	1.5%	1.5%	1.5%		1.5%
<b>Retain/Commission ARPU Per Basic Sub</b>										
			\$6.00	\$1.00	\$1.75	\$1.00	\$0.00	\$0.00		
<b>VOD:</b>										
VOD Costs	\$5.00	\$5.00	\$5.00	\$5.05	\$5.10	\$5.15	\$5.20	\$5.26	0.0%	1.0%
Monthly VOD Buys Per Sub	2.1	2.3	2.3	2.3	1.8	1.4	1.3	1.3	4.5%	(10.3%)
VOD ARPU	\$10.45	\$11.41	\$11.41	\$9.22	\$7.91	\$7.19	\$5.30	\$6.97	4.5%	(3.4%)
<b>% Y-O-Y Growth:</b>										
VOD Costs		0.0%	0.0%	1.0%	1.0%	1.0%	1.0%	1.0%		1.0%
Monthly VOD Buys Per Sub		9.2%	0.0%	(20.0%)	(15.0%)	(10.0%)	(5.0%)	(5.0%)		(10.3%)
VOD ARPU		9.2%	0.0%	(19.2%)	(14.2%)	(9.1%)	(4.1%)	1.6%		1.6%
<b>HD/DVR:</b>										
HD/DVR Converter per HD/DVR Sub	\$11.35	\$10.40	\$9.82	\$8.83	\$8.17	\$7.76	\$7.38	\$7.01	(7.0%)	(6.5%)
HD Tier	2.14	2.35	1.61	3.00	3.38	3.72	4.00	4.20	10.5%	9.9%
<b>% Y-O-Y Growth:</b>										
HD/DVR Converter		(8.4%)	(5.6%)	(10.0%)	(7.5%)	(5.0%)	(5.0%)	(5.0%)		(5.6%)
HD Tier/HD Sub		9.8%	21.2%	15.0%	11.5%	10.0%	7.5%	5.0%		5.0%
<b>Data:</b>										
Service Charge ARPU	\$31.25	\$31.60	\$31.26	\$32.91	\$32.60	\$32.77	\$31.95	\$31.63	3.2%	(1.0%)
Monthly Rental ARPU	4.95	4.95	4.90	4.85	4.80	4.75	4.71	4.66	(0.5%)	(1.0%)
Total Data ARPU	\$36.20	\$38.55	\$38.16	\$37.78	\$37.40	\$37.03	\$36.66	\$36.29	2.7%	(1.0%)
<b>% Y-O-Y Growth:</b>										
Service Charge ARPU		7.5%	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)		(1.0%)
Monthly Rental ARPU		0.0%	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)		(1.0%)
Total Data ARPU		6.5%	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)		(1.0%)
<b>Telephony:</b>										
Total Telephony ARPU	\$38.59	\$38.96	\$38.18	\$37.42	\$36.67	\$35.94	\$35.22	\$34.51	(0.5%)	(2.0%)
<b>% Y-O-Y Growth:</b>										
		1.0%	(2.0%)	(2.0%)	(2.0%)	(2.0%)	(2.0%)	(2.0%)		(2.0%)
<b>Advertisements:</b>										
<b>% Y-O-Y Growth:</b>										
	12.9%		5.0%	5.0%	5.0%	5.0%	5.0%	5.0%		5.0%
<b>Commercial:</b>										
<b>% Y-O-Y Growth:</b>										
	16.0%		5.0%	5.0%	5.0%	5.0%	7.5%	10.0%		10.0%
<b>Other Revenue:</b>										
<b>Franchise Fees:</b>										
As a % of Video Rev (Excl VOD, HD/DVR)	5.2%	5.7%		3.0%	3.0%	3.0%	3.0%	3.0%		3.0%
<b>Other:</b>										
<b>% Y-O-Y Growth:</b>										
		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%		3.0%

# Charter Operating Build-up - Expense Assumptions

	Actual FYE Dec 31		Budgeted FY '07	Projected FYE December 31,					CAGR	
	2005	2006		2008	2009	2010	2011	2012	'05-'07	'07-'12
<b>Programming Expense:</b>										
<i>Comcast/Premium</i>										
Prog Expense Per Basic Sub (With Rebrn)	\$16.32	\$17.88	\$21.03	\$24.18	\$26.71	\$28.45	\$30.16	\$31.97	12.5%	8.7%
Prog Expense Per Basic Sub	16.32	17.88	20.03	22.40	25.71	28.45	30.16	31.97	10.8%	9.8%
% Y-O-Y Growth		9.0%	12.0%	6.5%	6.5%	6.5%	6.0%	6.0%		
% of Exp Basic/Premium Revenue	26.7%	41.7%	40.0%	30.2%	32.0%	32.7%	34.1%	35.6%		
Rebrn/Commission Programming Expense Per Basic Sub			\$1.00	\$1.75	\$1.50	\$0.00	\$3.00	\$0.00		
<i>Digital/VOD/HDTV/ DVR</i>										
Prog Expense Per Digital Sub	\$8.04	\$9.18	\$10.94	\$11.38	\$12.29	\$13.27	\$14.27	\$15.27	14.5%	7.7%
% Y-O-Y Growth		14.0%	15.0%	4.0%	8.0%	8.0%	7.0%	7.0%		
% of Digital/VOD/HDTV/ DVR Revenue	64.0%	60.3%	33.1%	33.5%	34.5%	34.9%	36.1%	36.3%		
<b>Advertising Expense:</b>										
% of Advertising Revenue	33.2%	33.9%	33.9%	35.0%	35.0%	35.0%	35.0%	35.0%		
% Y-O-Y Growth		2.0%	0.0%	3.0%	0.0%	0.0%	0.0%	0.0%		
<b>Service Costs:</b>										
Variable Data Service Costs Per Sub	\$2.01	\$2.08	\$2.08	\$2.01	\$1.96	\$1.90	\$1.84	\$1.79	1.6%	(3.0%)
% Y-O-Y Growth		3.2%	0.0%	(3.4%)	(3.0%)	(3.0%)	(3.0%)	(3.0%)		
% of Data Revenue	5.0%	5.1%	5.0%	5.0%	5.2%	5.1%	5.0%	4.9%		
Fixed Data Service Costs	\$144.4	\$168.3	\$176.7	\$185.6	\$194.8	\$204.6	\$212.8	\$219.1	10.6%	4.4%
% Y-O-Y Growth		16.6%	5.0%	5.0%	5.0%	5.0%	4.0%	3.0%		
% of Data Revenue	16.2%	15.2%	14.6%	13.4%	12.7%	12.4%	12.2%	11.9%		
Implied Fixed Data Service Costs Per Sub	\$5.04	\$6.24	\$1.50	\$5.06	\$4.75	\$4.59	\$4.47	\$4.32	(3.9%)	(5.0%)
Total Data Service Costs	\$192.5	\$224.4	\$242.5	\$259.5	\$274.9	\$289.2	\$300.4	\$309.7	12.2%	5.0%
% Y-O-Y Growth		16.6%	8.1%	7.0%	6.0%	5.2%	3.9%	3.1%		
% of Data Revenue	22.3%	21.6%	20.1%	18.7%	18.0%	17.5%	17.2%	16.8%		
% Data Margin	77.7%	78.4%	79.9%	81.3%	82.0%	82.5%	82.0%	83.2%		
Variable Telephony Service Costs Per Sub	\$2.86	\$5.21	\$5.21	\$5.16	\$5.11	\$5.06	\$5.01	\$4.96	35.0%	(1.0%)
% Y-O-Y Growth		81.1%	0.0%	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)		
% of Telephony Revenue	7.4%	13.4%	13.7%	13.0%	13.3%	13.1%	12.9%	12.7%		
Fixed Telephony Service Costs	\$9.3	\$54.6	\$57.3	\$60.2	\$63.2	\$66.4	\$69.0	\$71.1	147.8%	4.4%
% Y-O-Y Growth		484.7%	5.0%	5.0%	5.0%	5.0%	4.0%	3.0%		
% of Telephony Revenue	22.2%	40.1%	19.7%	13.7%	11.0%	9.2%	7.9%	6.5%		
Implied Fixed Telephony Service Costs Per Sub	\$0.50	\$15.64	\$1.53	\$5.11	\$4.02	\$3.31	\$2.78	\$2.30	(6.3%)	(20.6%)
Total Telephony Service Costs	\$12.3	\$57.8	\$57.0	\$120.9	\$143.5	\$167.9	\$193.2	\$219.4	170.2%	17.7%
% Y-O-Y Growth		468.7%	(1.3%)	22.4%	16.7%	16.9%	15.1%	13.6%		
% of Telephony Revenue	29.6%	53.3%	17.1%	27.5%	24.9%	23.3%	22.1%	21.3%		
% Telephony Margin	70.4%	46.6%	66.6%	72.5%	75.1%	76.7%	77.9%	78.7%		
Other Service Costs Per Sub	\$0.02	\$7.99	\$0.23	\$0.65	\$0.08	\$0.53	\$0.91	\$10.21	1.3%	4.4%
% Y-O-Y Growth		10.3%	7.0%	5.0%	5.0%	5.0%	7.0%	1.0%		
% of Revenue	10.2%	9.6%	6.8%	8.4%	8.1%	7.9%	7.8%	7.5%		
<b>SGA Expense:</b>										
Franchise Fee	\$161.0	\$176.4	\$90.1	\$102.5	\$109.6	\$115.5	\$119.7	\$124.0	(21.0%)	4.9%
% of Revenue	3.3%	3.3%	1.6%	1.0%	1.5%	1.5%	1.4%	1.4%		
% Franchise Fee Growth		9.0%	(44.4%)	4.3%	6.9%	5.4%	3.6%	3.6%		
Bad Debt Expense - % Y-O-Y Growth	3.0%	2.5%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%		
% of Revenue		2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%		
Other SGA - % Y-O-Y Growth		18.1%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%		
% of Revenue	10.0%	21.6%	12.0%	10.5%	10.1%	9.8%	9.6%	9.5%		
<b>Marketing Expense:</b>										
% Y-O-Y Growth		27.1%	15.0%	13.0%	11.0%	9.0%	7.0%	5.0%		
% of Revenue	2.8%	3.1%	3.4%	3.8%	3.6%	3.6%	3.6%	3.6%		
<b>Other Expense:</b>										
% Y-O-Y Growth		N/A	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
% of Revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		

# Charter Capex Build-up

	Actual FYE Dec 31		Budgeted FY '07	Projected FYE December 31					CAGR	
	2005	2006		2008	2009	2010	2011	2012	'05-'07	'07-'12
Customer Premises Equipment Capex										
Digital CPE										
Digital subscribers, BOY	2,527,000	2,627,000	2,793,500	2,912,531	3,001,601	3,091,480	3,182,201	3,273,744	3.1%	3.2%
Gross digital adds in period	945,720	1,112,220	1,124,691	1,102,631	1,036,426	1,032,353	1,004,389	1,074,301		
Digital subs. disconnected in period	(945,720)	(945,720)	(7,003,960)	(1,013,361)	(1,026,238)	(1,001,643)	(992,847)	(982,123)		
Digital subscribers, EOI	2,527,000	2,785,500	2,912,531	3,001,601	3,091,480	3,182,201	3,273,744	3,366,122	5.3%	2.9%
Average digital STBs/digital home			1.4	1.6	1.6	1.6	1.6	1.6		
Percent of digital disconnect STBs returned			80.0%	80.0%	80.0%	80.0%	80.0%	80.0%		
Net deployed (capitalized) digital STBs			220,163	291,793	291,556	291,041	291,041	288,803		
Digital set-top boxes			\$280.0	\$255.0	\$255.0	\$195.0	\$190.0	\$126.0		
Percent of boxes deployed			50.0%	44.0%	39.6%	32.0%	32.0%	26.0%		
HD / DVR set-top boxes			\$480.0	\$440.0	\$440.0	\$240.0	\$285.0	\$235.4		
Percent of boxes deployed			40.0%	46.0%	52.0%	58.0%	64.0%	70.6%		
Cable Card			\$86.0	\$80.0	\$70.0	\$65.0	\$65.0	\$65.0		
Percent of boxes deployed			10.0%	10.0%	10.0%	10.0%	10.0%	10.6%		
Weighted avg cost of digital STB			\$142.6	\$127.2	\$127.2	\$126.8	\$126.9	\$125.9		(10.7%)
% Growth				(4.5%)	(7.0%)	(15.3%)	(15.8%)	(14.6%)		
Total digital box costs			\$109.7	\$95.5	\$92.5	\$79.2	\$66.8	\$56.3		(12.5%)
Installation costs per gross add			\$75.0	\$75.0	\$75.0	\$75.0	\$75.0	\$75.0		
Total digital installation costs			\$84.4	\$82.7	\$82.4	\$81.0	\$81.3	\$80.5		(0.4%)
Replacement digital STBs										
Percent of digital boxes to be replaced			20.0%	20.0%	26.0%	26.0%	20.0%	20.6%		
Digital box replacements			558,760	582,505	600,120	618,298	636,440	654,749		
Weighted average price/digital STB			\$342.6	\$327.2	\$317.3	\$266.5	\$226.9	\$195.0		
Total digital box replacement costs			\$191.4	\$190.6	\$190.5	\$166.2	\$144.4	\$127.7		(7.8%)
% Growth										
Digital CPE Capex			\$385.5	\$368.8	\$365.4	\$326.3	\$291.6	\$254.6		(7.2%)
% Growth				(4.5%)	(3.4%)	(10.7%)	(10.6%)	(9.7%)		
Digital CPE Capex per Digital subscriber			132.3	127.9	118.2	102.5	88.1	76.5		
Data CPE										
Data subscribers, BOY	1,094,400	2,097,600	1,399,300	2,076,051	2,234,002	2,599,455	3,042,055	4,097,042	12.8%	11.3%
Gross data adds in period	779,320	903,400	1,196,541	1,183,054	1,251,156	1,199,480	1,223,135	1,241,696		
Data subs. disconnected in period	(665,720)	(629,280)	(719,290)	(828,301)	(881,701)	(947,880)	(968,138)	(982,290)		
Data subscribers, EOI	2,097,600	2,399,300	1,376,051	2,210,802	2,580,455	3,842,055	4,097,042	4,355,448	17.1%	8.7%
Gross subscriber adds	1,196,541	1,183,054	1,251,156	1,251,156	1,199,480	1,223,135	1,223,135	1,241,696		0.7%
Percent of sub additions requiring new data modem	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%		
Total new data modems	957,233	946,443	1,001,062	1,003,089	959,584	959,584	959,584	969,357		0.7%
Cost of data modem	\$42.0	\$40.0	\$38.0	\$36.5	\$36.5	\$36.5	\$36.5	\$36.2		(5.3%)
Total data converter capex	\$40.2	\$37.9	\$38.0	\$35.0	\$35.0	\$35.0	\$33.3	\$31.8		(4.6%)
Additional installation cost/truckroll cost per gross data add	\$100.0	\$80.0	\$80.0	\$70.0	\$70.0	\$70.0	\$70.0	\$70.0		
Additional variable data equipment costs	\$119.7	\$106.5	\$106.5	\$100.1	\$89.0	\$73.4	\$62.1	\$50.0		(12.3%)
Data CPE Capex	\$159.9	\$144.3	\$144.3	\$138.1	\$131.1	\$106.7	\$89.9	\$69.9		(10.1%)
% Growth				(9.7%)	(4.1%)	(13.9%)	(10.4%)	(11.0%)		
Data CPE Capex per data subscriber	55.6	44.7	44.7	38.5	31.0	26.0	21.6	16.6		
Telephony CPE										
Telephony subscribers, BOY	45,400	126,000	445,800	823,746	1,137,723	1,483,345	1,861,061	2,271,333	213.4%	38.5%
Gross telephony adds in period	101,400	342,440	484,238	511,676	618,675	733,721	856,925	968,402		
Telephony subs. disconnected in period	(10,000)	(32,640)	(105,932)	(127,639)	(127,639)	(126,021)	(146,655)	(154,120)		
Telephony subscribers, EOI	136,400	409,800	445,800	823,746	1,137,723	1,483,345	1,861,061	2,271,333	166.1%	38.6%
Gross subscriber adds	484,238	511,676	511,676	511,676	511,676	511,676	511,676	511,676		15.3%
Percent of sub additions requiring new telephony modem	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		
Total new telephony modems	484,238	511,676	511,676	511,676	511,676	511,676	511,676	511,676		15.3%
Cost of telephony modem	\$29.0	\$29.0	\$29.0	\$29.0	\$29.0	\$29.0	\$29.0	\$29.0		(7.0%)
Total telephony converter capex	\$45.5	\$45.5	\$45.5	\$45.5	\$45.5	\$45.5	\$45.5	\$45.5		10.8%
Additional installation cost/truckroll cost per gross telephony add	\$200.0	\$200.0	\$200.0	\$175.0	\$175.0	\$175.0	\$175.0	\$175.0		
Additional telephony equipment costs	\$97.0	\$102.3	\$102.3	\$102.3	\$102.3	\$102.3	\$102.3	\$102.3		0.4%
Telephony CPE Capex	\$142.5	\$147.8	\$147.8	\$147.8	\$147.8	\$147.8	\$147.8	\$147.8		4.2%
% Growth				4.4%	8.0%	5.4%	3.1%	0.1%		
Telephony CPE Capex per telephony subscriber	173.1	130.6	130.6	104.4	104.4	91.1	77.0	64.4		
Total CPE Premise Capex	\$417.0	\$497.0	\$497.0	\$562.0	\$562.0	\$562.0	\$562.0	\$562.0	28.4%	(5.0%)
% Growth		29.2%	38.7%	(3.8%)	0.0%	(7.5%)	(6.8%)	(0.5%)		

# Charter Capex Build-up (cont'd)

	Actual FYE Dec 31		Budgeted FY '07	Projected FYE December 31					CAGR	
	2003	2006		2008	2009	2010	2011	2012	05-'07	07-'12
Scalable Infrastructure Capex										
Total Homes Passed	11,495,200	11,686,000	11,767,802	11,826,641	11,885,774	11,945,203	12,004,929	12,064,951	1.2%	0.5%
Scalable Capex Per Homes Passed	\$14.54	\$18.23	\$20.00	\$20.50	\$21.75	\$22.00	\$22.75	\$23.50	17.3%	3.3%
Total Scalable Infrastructure Capex	\$167.0	\$213.0	\$235.4	\$242.4	\$252.6	\$262.8	\$273.1	\$283.5	18.7%	3.8%
% Growth		27.5%	10.5%	2.0%	4.2%	4.0%	3.9%	3.8%		
Line Extensions										
New Build Homes Passed		200,800	\$1,802	\$8,039	\$3,133	\$8,429	\$9,726	\$9,025		(6.0%)
Cost Per New Build Homes Passed		\$522.91	\$523.00	\$550.00	\$575.00	\$560.00	\$625.00	\$650.00		4.4%
Total Line Extensions Capex	\$129.0	\$105.0	\$42.9	\$32.4	\$34.0	\$35.7	\$37.3	\$39.0	(42.3%)	(1.9%)
% Growth		(18.5%)	(39.1%)	(24.6%)	3.1%	0.9%	4.2%	4.5%		
Upgrade/Rebuild Capex	\$49.0	\$45.0	\$47.3	\$49.6	\$52.1	\$54.7	\$57.4	\$60.3	(1.8%)	5.0%
% Growth		(8.2%)	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%		
Maintenance Capex										
Total Homes Passed	11,495,200	11,686,000	11,767,802	11,826,641	11,885,774	11,945,203	12,004,929	12,064,951	1.2%	0.5%
Maintenance Capex Per Homes Passed	\$25.08	\$19.25	\$18.00	\$18.50	\$19.00	\$19.75	\$20.50	\$21.25	(75.3%)	3.4%
Total Maintenance Capex	\$288.0	\$225.0	\$211.8	\$218.8	\$225.8	\$235.9	\$246.1	\$256.4	(14.2%)	3.9%
% Growth		(21.9%)	(5.5%)	3.3%	3.2%	4.5%	4.7%	4.2%		
Total Capex	\$1,050.0	\$1,085.0	\$1,125.3	\$1,185.1	\$1,228.0	\$1,288.0	\$1,187.0	\$1,171.7	8.0%	(0.9%)
% Sales	21.7%	20.8%	20.5%	18.3%	17.0%	15.4%	14.3%	13.3%		
% Growth		3.2%	12.9%	(1.6%)	2.9%	(2.0%)	(1.4%)	(1.2%)		

## **Appendix VII: LBO Model**

CharterGo Private: Apollo Base Case Projections (\$78mm secondary by sponsor / \$0 mm primary by sponsor/ \$0 mm by Paul Allen)  
(assumes no merger)

**J. E. McNamee** is a senior lecturer in the Department of Management, University of York, UK.

[illegible]

Total Estimated Value	
Entry Value (\$5,525,000 of Share)	11,574.6
Accrue 20 Yr. Premo	2.2
Total Purchase Price	11,576.8
Net P/E Ratio	1,982.10
Total Government Purchase Share	5.5
Less Cash	(75.0)
Net Asset-By-Share	395.0
Net Financialization	23.2
NAV (per Share)	618.80
Less 20% of Goodwill Val. Share	7.2
Net P/E RATIO (D)	(1,513.0)
Net Share to Achieve Target	2.2
Adjusted TBV	620.00

	Kendall's Analysis	
	STS Data II	
	2003	2006
STPDA	15,346.0	
STPDA - Capex	950.7	1,149.4
Adjusted TST @ Haysport Prices <sup>1</sup>		
STPDA	14.4%	9.2%
STPDA - Capex	1.13%	64.3%
Adjusted TST @ Haysport Prices <sup>2</sup>		
STPDA	9.2%	9.2%
STPDA - Capex	21.7%	17.0%

Ratio Analysis				
	1987	1988	1989	2000
<b>Turnover Ratios</b>				
<b>RENTAL-MANAGE</b>				
		PER		
RTR	7.9%			29.5%
RTR	7.7%	10.7%		28.6%
RTR	7.7%	26.4%		28.5%
RTR	28.9%	20.7%		30.6%
<b>Working Capital</b>				
<b>RENTAL-LEASE</b>				
	PER / (RENTAL - COSTS)			
RTR	12.5%	12.5%		13.8%
RTR	14.6%			12.8%
RTR	16.5%	13.8%		13.7%
RTR	14.0%	14.7%		13.6%
<b>Debt-to-Equity Ratios</b>				
<b>Multiple of Investment Capital</b>				
ICR	1.5x	1.7x		2.8x
ICR	1.5x	2.0x		3.5x
ICR	1.5x	2.4x		3.8x
ICR	1.3x	2.2x		3.8x

- Compute a confidence interval for  $\mu$ ,  $\sigma^2$ , and  $\sigma$ .
- Compute a confidence interval for  $\mu$ ,  $\sigma^2$ , and  $\sigma$ .
- Write the corresponding hypotheses for the hypothesis test.
- Compute a p-value for the test and state the conclusion at a 5% significance level.
- Write a conclusion for the hypothesis test.
- Write a conclusion for the hypothesis test.



10/25/2022

# Return Sensitivities

(All values subject to change)

		2022 Year 6 EBIT					2022 Year 6 MFG				
		Purchase Price / Input / Premium					Purchase Price / Input / Premium				
		\$218	\$225	\$230	\$235	\$240	\$280	\$285	\$290	\$295	\$300
		24.0%	24.5%	25.0%	25.5%	26.0%	26.0%	26.5%	27.0%	27.5%	28.0%
Trading	Percent						Trading	Exit			
Multiple							Multiple				
8.0x	2.0x	21.0%	21.5%	22.0%	22.5%	23.0%	8.0x	3.0x	2.0x	2.0x	2.0x
8.5x	2.2x	21.5%	22.0%	22.5%	23.0%	23.5%	8.5x	3.2x	2.2x	2.2x	2.2x
9.0x	2.4x	22.0%	22.5%	23.0%	23.5%	24.0%	9.0x	3.4x	2.4x	2.4x	2.4x
9.5x	2.6x	22.5%	23.0%	23.5%	24.0%	24.5%	9.5x	3.6x	2.6x	2.6x	2.6x
10.0x	2.8x	23.0%	23.5%	24.0%	24.5%	25.0%	10.0x	3.8x	2.8x	2.8x	2.8x
10.5x	3.0x	23.5%	24.0%	24.5%	25.0%	25.5%	10.5x	4.0x	3.0x	3.0x	3.0x
11.0x	3.2x	24.0%	24.5%	25.0%	25.5%	26.0%	11.0x	4.2x	3.2x	3.2x	3.2x
11.5x	3.4x	24.5%	25.0%	25.5%	26.0%	26.5%	11.5x	4.4x	3.4x	3.4x	3.4x
12.0x	3.6x	25.0%	25.5%	26.0%	26.5%	27.0%	12.0x	4.6x	3.6x	3.6x	3.6x

\* Assumes 100% EBITDA Margin (All Year 6 EBITDA Margin assumptions are based on 100% EBITDA Margin)

\* Assumes 100% EBITDA Margin (All Year 6 EBITDA Margin assumptions are based on 100% EBITDA Margin)



11/28/2017 2:53

## Tax Schedule

\$ in millions except per share/cent

Income  
Tax Expense  
Less: Government Contribution  
Variable Operating Leases (1) & (2)  
NOLs Used  
Taxable Operating Income (Loss) NOLs  
Income Tax Expense (Benefit)

Cost of Sales

Income Statement  
NOLs Carried Forward  
NOLs Expiring Balance

NOL Calculation

Balance NOL at 12/31/16  
Less NOL used through 12/31/17  
Beginning Balance NOL at 12/31/15

\$600.0  
0.0  
\$600.0

Fiscal Year Ending December 31				
Balance				
2018	2017	2016	2015	2014
\$622.7	(\$46.0)	\$3,804.5	\$0.0	\$0.0
51	5.5	0.0	0.0	2.1
464.6	(\$46.0)	\$3,804.5	\$0.0	\$0.0
622.7	46.0	384.4	20.0	27.5
100	10.0	20.0	20.0	10.1
90	0.0	0.0	0.0	0.0
100	0.0	0.0	0.0	10.1
\$6,000.0	\$2,322.0	\$2,497.7	\$1,212.0	\$1,110.9
\$6,000	\$2,322	\$2,498	\$1,212	\$1,111
\$2,322	\$2,498	\$1,212	\$1,111	\$1,111

CONFIDENTIAL





1. *Explain the importance of the following factors in the development of a country's economy:*

[illegible]

(a) Worst capital balance based on 9/30/27 balance sheet for Quigg.



80 of 62

CHARTER-e 00779636

• 15.4 million, or 12.5% of 12.5 million

12/31/2022

# Pro Forma Balance Sheet

\$ in millions, except per share data

	Cheniere 12/31/2022	Other 12/31/2022	Pro Forma 12/31/2022	Adjustments at 12/31/2022			Pro Forma Consolidated
				Pro Forma	Financial	Pro Forma	
Assets							
Cash and cash equivalents	\$15.0	\$0.0	\$15.0	\$0.0	\$0.0	\$0.0	\$15.0
Accounts receivable	209.0	0.0	209.0	0.0	0.0	0.0	209.0
Inventory	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other non-current assets	15.0	0.0	15.0	0.0	0.0	0.0	15.0
Total Assets	\$239.0	\$0.0	\$239.0	\$0.0	\$0.0	\$0.0	\$239.0
Property, plant and equipment, net	\$1,000.0	\$0.0	\$1,000.0	\$0.0	\$0.0	\$0.0	\$1,000.0
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Intangible assets, net	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other intangibles	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Liabilities	\$1,000.0	\$0.0	\$1,000.0	\$0.0	\$0.0	\$0.0	\$1,000.0
Liabilities and Shareholders' Equity							
Accounts payable	\$1,000.0	\$0.0	\$1,000.0	\$0.0	\$0.0	\$0.0	\$1,000.0
Accrued expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders' equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Liabilities and Shareholders' Equity	\$1,000.0	\$0.0	\$1,000.0	\$0.0	\$0.0	\$0.0	\$1,000.0
Equity							
Common stock, \$0.01 par value	\$10.0	\$0.0	\$10.0	\$0.0	\$0.0	\$0.0	\$10.0
Preferred stock, \$0.01 par value	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Additional paid-in capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retained earnings	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Equity	\$10.0	\$0.0	\$10.0	\$0.0	\$0.0	\$0.0	\$10.0
Total Liabilities and Shareholders' Equity	\$1,000.0	\$0.0	\$1,000.0	\$0.0	\$0.0	\$0.0	\$1,000.0

\$0.01 par value, except per share data